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Center Dissolving, Soviet Party's Fear Of Split Is Growing

By Bill Keller
New York Times Service

MOSCOW — Mikhail S. Gorbachev's vision of the Communist Party as a great, reborn, unifying force leading the Soviet Union into the future has never seemed more improbable than it does right now.

The creation of a new Russian Communist Party, dominated by an angry, orthodox fringe, leaves the party more polarized and anemic than ever. The event is bound to tear at the fragile, artificial comity in the Soviet party leadership and to hasten the exodus of democratic reformers and young people from the party's ranks.

Although he threatened last week to step down as party leader, Mr. Gorbachev indicated Saturday that he would continue in the post, saying it was not time to split the presidency from the party.

As the Communists move now from their Russian dress rehearsal into their great spectacle, a nationwide congress opening July 2, the main questions concern not the party's revival, but its decline:

How dangerous will the party be as its membership and power shrivel? Can the political outsiders and defectors pull themselves together to present a coherent alternative? And which way will Mr. Gorbachev himself choose to go?

Until now, the party has held onto legions of young, reformist politicians and thinkers, in part because they hoped Mr. Gorbachev would eventually purge the hard-liners, in part because there was nowhere else to go.

The meeting of the Russian Communists dispelled any illusions that the Marxist regulars would be driven from the temple. The hard core dominated the delegate selection process, and anointed one of their own, Ivan K. Polozkov, as the putative leader of the 11 million Russian Communists.

Mr. Polozkov, the hero of the party establishment, and Boris N. Yeltsin, the champion of the democratic insurgents, now represent the two poles of the party, and the middle ground between them is being rapidly deserted.

The nationwide congress promises to be only marginally less conservative than the Russian gathering. All of the Russian delegates are returning for an encore at the Soviet congress, where they will constitute more than half the assembly. The Democratic Platform faction, reformist insurgents who fare well in polls of the party rank and file, elected fewer than 3 percent of the delegates to next week's congress.

Barring a sudden and unexpected reversal of the hard-liners next week, most members of the Democratic Platform plan to leave the party, taking with them such popular new elected officials as the leaders of Moscow and Leningrad.

Democrats say this hemmorhaging of the party plays neatly into Mr. Gorbachev's hands. After all, if the country is to build real democracy and a market economy, a prerequisite is to finally break the party's monopoly on power.

"This is okay," said Sergei B. Stankevich, the young deputy mayor of Moscow and a leader of the Democratic Platform, after the Russian congress elected Mr. Polozkov. "The demarcation of positions will be accelerated, and along with that, the formation of a normal party, standing for democratic socialism."

But the withering of the party also confronts the country with a period of uncertainty, even instability. For one thing, even a dying party can be a dangerous beast. The party still operates the only political cells in the army, the police, the KGB, the justice system, and industry.

In theory, Mr. Gorbachev and the new Soviet parliament now have the authority to override local party lords, but in fact the force of law remains remarkably weak in the face of lingering, feudal party power at the local level.

With just that in mind, Mr. Yeltsin last week persuaded the parliament of the Russian republic to issue what may prove to be a critical policy statement on limiting the powers of the party.

The declaration, which is to be the basis for a new Russian constitution later this year, would outlaw the current system of party cells that operate within the police, KGB, army, and industry; ban party leaders from simultaneously holding government leadership posts; forbid judges and senior law enforcement officials from even being members of a party; and call for an immediate end to interfer-

See GORBACHEV, Page 5

NEWS ANALYSIS

Amid Devastation, Prayers for the Dead

By Steve Coll
Washington Post Service

ROUDBAR, Iran — Chanting prayers of mourning as they carried their dead through streets littered with broken brick and glass, the residents of towns devastated by Thursday's earthquake have begun the long and despairing task of rebuilding their homes and lives from the rubble.

Iranian relief workers and the International Red Crescent have delivered tents, blankets and food to hard-hit towns in northwestern Iran like Roudbar, where up to half of the town's 20,000 residents are dead or missing, according to survivors and relief officials.

The relief effort has not yet reached the hillside villages, reported by some refugees to have been worst hit.

In Roudbar three days after the earthquake, injured children and women squatted forlornly in tents inside their former homes, now reduced to heaps of mud and scrap.

Grave diggers wearing white scarves roamed with picks and shovels, burying the dead beneath small mounds.

Stretchers were in short supply and when a dead 9-year-old girl was pulled from a pile of bricks, her body was wrapped awkwardly in a blanket and carried through the streets while relatives chanted prayers of mourning.

Families loaded their belongings into cars and buses and inched along the jammed roads.

"There are many still alive under the rubble, but the villages are far away and on mountainsides, and the roads are all blocked," said Hadar Mirhussain, a relief worker who said he had not slept in days. He spent his time wandering Roudbar with a pick slung over his shoulder, occasionally stopping to dig for bodies or survivors.

"We have been tested," said Kohan Josani, 30. "I don't know why, but we have been tested." He was standing outside the ruins of his two-story home.

Mr. Josani said 35 members of his extended family had been confirmed dead.

Members of the Revolutionary Guards and numerous volunteers continued to dig for survivors. But with square miles of the region in ruins and little heavy equipment available to move large obstructions, much of the relief effort centered on tending to survivors and refugees.

Collapsed tunnels and damaged roads continued to hamper relief efforts in the region, but progress was reported by Iranian officials in clearing roads and plowing detours through blocked mountain passes.

The deepest scars from the earthquake lie

See IRAN, Page 4

Further Shocks Add to Misery In Iran's Quake

Death Toll Expected to Reach 50,000 As Landslides Hamper Relief Efforts

Compiled by Our Staff From Dispatches

TEHRAN — Another major tremor rocked Iran on Sunday, compounding the misery of survivors and impeding relief efforts after a far more powerful earthquake killed up to 50,000 people last week.

The news agency IRNA said the latest quake jolted the Gilan provincial capital of Rasht at about 1 P.M., triggering landslides that blocked main roads. There was no immediate report of fresh casualties.

The shock measured 5.7 on the Richter scale, according to Tehran University, compared with 7.3 to 7.7 for the initial quake on Thursday. A milder tremor registering 4.9 rattled southern Iran on Sunday.

The news agency said the 4.9 shock caused panic but no loss of life or property in Farsan, a rugged region 500 kilometers (310 miles) south of Tehran.

The university said 360 tremors have struck northern Iran since the main earthquake. The aftershocks have caused landslides, hampered relief work and added to the anxieties of half a million homeless people.

The death toll continued to mount. Relief headquarters said Sunday that it had counted 33,414 bodies in Gilan Province and 3,493 in neighboring Zanjan Province.

Tehran radio put the death toll at 48,000 with 100,000 injured, and Iran told the United Nations that the number of dead could rise to 50,000.

International relief supplies poured into the country over the weekend from diplomatic friends and foes alike to help the Tehran government cope with the worst natural disaster in modern Iranian history.

Rescue workers were still struggling Sunday to reach some mountain villages that remained inaccessible 85 hours after the big quake.

Health workers donned masks as they tried to disinfect ruins in Gilan and neighboring Zanjan provinces, which were threatened by disease from decaying bodies and contaminated water.

Untold numbers of victims are being buried in mass graves and the carcasses of hundreds of thousands of farm animals are being burned to reduce the risk of infection.

"The disaster was of such a horrifying magnitude that in some villages even a single person did not survive to bury the dead," one survivor told the news agency.

The news agency said that more than 100,000 people trapped by the quake had been saved by rescue workers.

The earthquake affected 4 million people in Gilan and Zanjan, mainly agricultural and mountainous provinces that cover a combined area of 785,000 square kilometers (303,000 square miles).

Sunday's tremor in Rasht again blocked the main highway between Rasht and Roudbar, a city of 100,000 which was reduced to rubble in the main quake. Dozens of villages in the the olive-producing Roudbar region were all but destroyed.

Foreign relief aid continued to flow into Iran, which has been virtually isolated from the international community since the 1979 Islamic Revolution.

A second Soviet medical team, composed of 57 doctors and nurses and bringing large quantities of medicine, arrived from neighboring Azerbaijan on Sunday.

The Soviet Union has been sending a constant stream of doctors and nurses as well as machinery and medical supplies since the earthquake struck.

Japan is providing cash and medicine, and the U.S. government and private agencies have sent more than 40 tons of relief supplies.

But even as Tehran accepted the U.S. aid, an anti-American newspaper in Iran said Sunday that the United States was partly to blame for the deaths of tens of thousands of people in the earthquake.

The newspaper, Jomhuri Islami, contended that by plundering Iran's oil and other resources for 25 years, the United States had prevented the use of even a small part of the national wealth for urban development projects and quake-proof buildings. *(Reuters, AP)*

The Associated Press

Members of an Iranian family waiting in front of temporary shelter near Roudbar as workers sought victims in the rubble of their city.

Diether Endlicher/The Associated Press

WORLD CUP GRANDSTAND

West Germany 2, Netherlands 1

Jürgen Klinsmann, in photo, broke open a tight match in the 50th minute, Andreas Brehme provided an insurance goal in the 86th minute and West Germany advanced to the quarterfinals.

Argentina 1, Brazil 0

Diego Maradona did it again. He set up striker Claudio Caniggia, who scored for the defending champions just 10 minutes before the end of the match.

The Real, the Fake and the Fanged

Columnist Rob Hughes writes of cynicism (real) and tragedies (false), and of that glorious old Lion, Cameroon's Roger Milla, roaring again.

Wednesday's matches:
Ireland vs. Romania, 1500 GMT
Italy vs. Uruguay, 1900 GMT

World Cup report: Pages 18 and 19

Israel Limits Settlement Plan

By Jackson Diehl
Washington Post Service

JERUSALEM — Ariel Sharon, one of Israel's strongest advocates of Jewish settlement in the occupied territories, declared Sunday that Soviet immigrants to Israel would not be sent by the government to the occupied West Bank and Gaza Strip.

Mr. Sharon, the housing minister in the new rightist government, made the statement in a speech here to the international representatives of the quasi-governmental Jewish Agency.

The statement appeared designed to satisfy demands by both the U.S. and Soviet governments for guarantees from Israel on the settlement of Soviet Jews.

But Mr. Sharon, who is overseeing the government's effort to absorb the immigrants, stopped short of offering the assurance that no Soviet Jews will move to the territories.

Israel intercepts another seaborne raid by Muslim guerrillas. Page 5.

"We do not divert and we do not send any Russian immigrants or any Jew who comes from Russia to Samaria, to Judea, to Gaza, because we understand the seriousness of the situation," said Mr. Sharon, referring to the occupied lands by their Biblical names. "Our efforts in resettling immigrants are directed at this side of the Green Line," Israel's internationally-recognized border.

Mr. Sharon, who was a chief strategist of the campaign by rightist governments to settle the territories in the late 1970s and early 1980s, said that the government planned to steer the immigrants toward sparsely settled regions inside Israel, including the northern Galilee and southern Negev regions, as well as the corridor from Tel Aviv to Jerusalem.

Mr. Sharon did not rule out the

See ISRAEL, Page 5

Kiosk

Medellín Gang Kills 19 at Club

MEDELLIN, Colombia (Reuters) — Hooded gunmen shot and killed 19 men outside a nightclub near Medellín, in Colombia's cocaine-producing region, and 36 other people were killed in weekend incidents, the police said Sunday.

About 25 gunmen forced all males in the Oporto nightclub into a parking lot where they were shot, some through the eyes, a nightclub guard said.

The nightclub is frequented by children of wealthy businessmen.

MONDAY Q&A

AP

Thorvald Stoltenberg, the new UN high commissioner for refugees, says the fund crisis is growing. Page 2.

General News

Surprised Communists said China's effort at a big party purge had fizzled out. Page 2.

Forty years ago, the beginning of a war set Korean against Korean. Page 2.

Canada's finance minister appealed for calm after accord on Quebec failed. Page 4.

As anxiety over the U.S. economy grews, the hopes of Democratic candidates in 1992 rise. Page 3.

Business/Finance

IBM is returning to the home computer market. Page 11.

OECD nations cut development aid to poor countries by $1.6 billion last year. Page 11.

Special Report

Japan's mighty economy masks its growing problems of leadership. Pages 7-10.

Crossword Page 4.
Classified Ads Page 22.

Prost Wins in Mexico

MEXICO CITY (Reuters) — Alain Prost of France won the Mexican Grand Prix here Sunday. His Ferrari teammate, Nigel Mansell of Britain, was second, ahead of Gerhard Berger of Austria in a McLaren.

Philippe Wojazer/Reuters

ELYSIAN FIELD OF WHEAT — A French policeman kneeling Sunday in a wheat field set up in the Champs-Elysées for the day as a stunt to improve the image of European farmers. Page 4.

Soviet Aid Policy Tests the EC

By Leigh Bruce
International Herald Tribune

DUBLIN — The meeting of EC leaders that begins Monday in Dublin will be a turning point in building the post-1992 European Community if the 12 heads of government can agree to policies on aid to the Soviet Union and other key international issues.

But the leaders are expected to avoid substantive negotiations over the various ideas for forming a political union, calling only for a later meeting to discuss the matter.

This week's discussions "will be a test of the Community's ability to have a common foreign policy," an official said.

The member countries are expected to agree to convene an intergovernmental conference to negotiate political union concurrently with talks on economic and monetary union.

According to an EC official, the 12 member states have settled on Dec. 13 and 14 to begin the two conferences.

The holder of the six-month, rotating presidency of the EC council of ministers, Prime Minister Charles Haughey of Ireland urged his fellow leaders to choose the opening date and to further preparatory work for the political union conference.

He is likely to get his wish with little debate, the sources said. Britain still questions the need for the two conferences, but a Foreign Office official maintained that Prime Minister Margaret Thatcher would "go along" with the majority determination to set a date.

Mrs. Thatcher has turned up the rhetorical heat in recent days against EC economic and political union, causing some nervousness

See DUBLIN, Page 13

Reactor Fiascoes Anger East Europe

By Marlise Simons
New York Times Service

BONN — Experts describe the hair-raising incident at an East German nuclear-energy plant like this: 11 of the 12 cooling pumps of a nuclear reactor were knocked out by fire and power failure, and workers scrambled to work a last remaining pump.

Without that pump, the core of the reactor would overheat, begin to melt down and set in motion a near unstoppable process. The nearby town of Greifswald would be in radioactive peril.

The pump, which was connected to another power source, got started just in time to prevent disaster.

That incident occurred in 1975, and was revealed only this year, when the Office for Atomic Safety informed its counterpart in Bonn. It is now regarded as the most dangerous known near disaster in Eastern Europe's nuclear history.

Although the problem was caused by a design fault in the Soviet-made plant, experts say, the Soviet Union never warned other countries that were building or operating similar reactors that they, too, were at risk.

Experts from East Germany, Czechoslovakia and Hungary have asserted that Moscow often withheld information needed for the safe operation of the Soviet-built plants.

East European scientists in recent months have gone public with their frustration and anger about the Soviet supervisors of the plants. They have cited squabbles over who ran the plants and over permission to run tests. Arguments arose over computer data that Moscow refused to release. And they said that there were disagreements over the quality of Soviet-made materials.

"We never trusted the Russian components, and we tested each one," said Jiri Becvar, head of nuclear technology at the Ministry of Fuel and Energy in Prague. "When we corrected them, it caused complications with the Russian supervisors."

In the last two decades, as the Soviet Union built 23 nuclear plants in Eastern Europe, regional specialists say there was virtually no useful exchange of information on incidents or on experiments and operating experiences — considered vital in the West. Rather, when they persisted in asking questions, East German scientists said, their Soviet overseers would make them look suspect.

"The supervisors would intimidate you and ask,

See NUCLEAR, Page 5

Steep Rise in Refugees Puts UN Agency in a Fund Crisis

Thorvald Stoltenberg was named the United Nations High Commissioner for Refugees in January after serving in the Norwegian government for 21 years, most recently as foreign minister and ambassador to the UN. He spoke to Patrick L. Smith of the International Herald Tribune in Tokyo during his first visit to East Asia as head of the UNHCR.

Q. You're in Tokyo to request further funds from the Japanese. Is there a financial problem in the UNHCR, and if there is, how critical is it?

A. I'm here to cover all current refugee issues, including funding. There is definitely a crisis because there has been a steep increase of refugees, while funding has been more or less stable. The result is that in 1990 we have half the resources per refugee that we had in 1980.

Q. Can you put an amount to those resources?

A. We have $40 per refugee per year; in some countries an asylum seeker costs $70 a day. The financial shortfall is dramatic. That's regrettable under any circumstances, but particularly now because we live in a period when we have more possibilities to contribute to solutions than ever. The world is going in the right direction; we don't have funds enough to follow up.

•

Q. Has this prevented you from executing projects?

A. It has prevented us from using funds better. Two examples: We cannot plan,

MONDAY Q&A

because I can't even tell you how much we'll have in August. Second, there are areas where the refugees want to go back, but we don't have the funds to repatriate them. So we spend money feeding them, but we haven't got the funds to pursue the solution.

Q. Is this partly a reflection of what is known as "compassion fatigue?"

A. Many people ask that, but I don't think so. I feel an intense interest, not only in traditional refugee work, but in the mass movement of people we're facing. I believe this will be one of the most dramatic issues of the 1990s, and I'm optimistic. I think we will have the funds we need once this is understood.

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Q. You're thinking of Eastern Europe, I assume.

A. I'm speaking globally, about people escaping poverty. We have the traditional political refugees, and it would not be difficult to help them if that were the only issue. But we also have economic refugees, who are as morally acceptable as those fleeing political persecution. It may be even more dangerous to go back to poverty than to go back to political persecution. But the world cannot solve the poverty problem with asylum. That must be solved with economic and development policies.

•

Q. What is the UNCHR's role in solving the poverty problem?

A. Foremost is to explain the background and point to the need for new development policies. It's not really grasped that we're at the beginning of a mass movement of people, and I think this should be part of our future security considerations.

Q. You again mentioned a mass movement.

A. I mean people moving from poverty areas in Africa, in Asia. Hopefully we won't experience this in Europe. But we all know that we have dangerous ethnic problems and religious conflicts that could again create refugees there.

Q. You've just come from Southeast Asia. What's your assessment of the "boat people" situation?

A. Hong Kong is a good example of what I'm trying to say. A sudden influx of boat people makes it almost impossible to screen people, creates extremely difficult conditions and actually threatens the principle of first asylum — the right to come ashore and present your case.

What have we done? We offered an information program in north Vietnam and to monitor returnees. This seems to have worked. Boat people calling at Hong Kong have been reduced 86 percent from a year ago. In effect, we're helping the nonrefugees so that we can protect the first-asylum principle and help the real refugees.

•

Q. What about the Malaysians pushing boats back to sea and the British decision to force repatriation?

A. What I foresaw — and this is the main reason I'm in the area — is that all boat people would end up in boats at sea. We've decided that we will extend the program I've just described to the south of Vietnam, where most boat people going to Malaysia and Indonesia come from.

Let me add one thing. We are now close to a new way of addressing the refugee problem that could be used elsewhere. What we have seen in Hong Kong I also feel will come in Europe and Africa. If we don't work with those who aren't refugees, we won't be able to protect the refugees.

Q. Situations have improved elsewhere — Namibia, for example. And you've discussed the prospect of improvements in other places. Where?

A. I see potential solutions in South Africa, Mozambique, western Sahara and with the Afghan refugees in Pakistan and Iran. We have already begun repatriating refugees in Central America. There are more possibilities to contribute to solutions than ever.

Korean Against Korean: The 'Dark Days' of 40 Years Ago

By Fred Hiatt
Washington Post Service

SEOUL — Lee Ki Ho, then 24, knew the North Korean Communists had captured Seoul when he found three city policemen shot dead on the street in front of his watch repair shop.

Kim Young Chul, then a high school freshman, learned about the invasion when leftists who had just been freed from jail, their shaved heads glistening, ordered him into the streets to welcome advancing North Korean tanks. "We raised our arms and shouted 'man se' — 'may you live 10,000 years,'" said Mr. Kim, now a successful businessman and author. "The dark 90 days began then."

Forty years ago Monday, the Korean War began. For the United States, the three-year war was a bloody and frustrating conflict that set the nation firmly on a path of military buildup and Cold War confrontation.

For Koreans, it was a fratricidal war that divided the nation.

The bitter distrust that still afflicts relations between North and South is rooted in the three-month North Korean occupation of this city that started with the invasion and ended when General Douglas A. MacArthur's United Nations troops recaptured the city Sept. 28.

The story of that occupation is a tale of terror — of sons shot in the streets at "people's courts" and left to rot in the summer heat; of husbands marched north in chains, never to be seen again; of hunger and cruelty, hiding and constant fear.

Most of those who survived that first summer are united even today in suspicion and hatred of the North Korean regime, and in gratitude to the Americans for liberating Seoul.

"These things hold us together," said Lee Hong Koo, now a close adviser to President Roh Tae Woo, who spent that summer hiding in a basement. "People over 50 — we share a feeling about national security."

But the story of that first summer is also a tale of ambiguities and shifting loyalties. While most Seoul residents feared the Communists, others welcomed them; and while most cheered the Americans' arrival three months later, some willingly followed the North Korean Army in its retreat.

"It was hell," said Oh Hae Ju, who was dragooned into the "People's Volunteer Army" at age 17, but escaped two days later. "People were afraid of both sides."

The first reaction to the North Korean invasion was disbelief. Korea had been divided since 1945, when the Soviet Union occupied the North and the United States the South after World War II.

By June 27 the South Korean Army was fleeing in disarray. A disgusted General MacArthur said, "I haven't seen a single wounded man yet" when he flew in from Tokyo for a brief inspection.

By the time Mr. Kim and his family tried to flee, the panicky South Korean Army had blown up the only bridge across the Han River, leaving Seoul and its citizens at the mercy of the North.

Political cadres quickly set about organizing "People's Committees," rooting out "reactionaries" and recruiting young men for their army. Anyone associated with the South Korean government hid in storm sewers or basements or attics.

To persuade everyone they were winning the war, Mr. Kim recalled, the North Koreans paraded U.S. prisoners of war through the city, forcing them to walk barefoot over the hot asphalt, their boots tied by shoelaces and hanging around their necks. "They looked worn out, heads down," Mr. Kim said. "I thought, 'This must be the end.'"

But Lee Ki Ho, now 64, said the North Koreans' methods were often less subtle. "They killed people like we kill flies," he said.

By September, there was almost no food in Seoul; Mr. Chn's mother would roam the countryside seeking to trade her clothing for barley to make gruel. The North Koreans, preparing to retreat, set fire to much of the city; the Americans, advancing from Inchon, bombed most of the rest. "I don't know how anyone survived there," recalled John Rich, an American reporter who reached Seoul in October. "The city was incredibly beat-up, just flat and rubble."

As they pulled out, the North Koreans and their sympathizers sent Seoul through one more spasm of terror, shooting hundreds and rounding up intellectuals and others for a forced march north.

The Americans and South Koreans and their allies pushed north to the Manchurian border, then were pushed back down again when China entered the war. Once again, South Koreans had to flee, this time in bitter cold.

Finally the front moved back to the original 38th Parallel, where the war continued in deadly stalemate for two more years. By its end, 33,629 Americans had been killed and more than 100,000 injured. Millions of Koreans were casualties; virtually every family was affected.

"People of my age worry about the younger generation, people younger than 40, who didn't experience the war," Mr. Lee said. "I don't know if they realize what communism is really like, how badly they treated the people."

Surprised China Communists Say Party Purge Has Fizzled

By Nicholas D. Kristof
New York Times Service

BEIJING — A year after the Communist Party announced a purge of members who had been involved in the democracy movement, party members say, with relief and some surprise, that the purge has fizzled.

Hard-liners who ordered the purge succeeded in making life miserable for many of their opponents, and in forcing a significant share of the nation's 48 million Communist Party members to go through a complex process of "reregistration" that was intended to weed out those who "deviated from the correct political stand."

But after months of meetings and self-criticisms and essay-writing, virtually everyone has managed to stay in the party.

The ineffectiveness of the purge suggests the extent of the deadlock that has brought the Chinese political system to a virtual halt.

The hard-liners have been preeminent for more than a year, but they have been unable to consolidate their gains by eliminating large numbers of their antagonists.

The leadership called for the purge on June 25 last year, and the entire party membership in Beijing was obliged to reregister to retain party membership.

Outside the capital the process was far looser and generally involved only party officials.

The reregistration is now completed or nearing completion in most work units, and party members say that the vast majority — perhaps 99 percent or more — have been approved to remain in the party, even in certain sensitive departments under the Central Committee that are said to be hotbeds of quiet opposition to the hard-liners.

Officials say privately that only a few prominent liberals have been prevented from reregistering so far.

Even the most prominent person to fall from power last year, Zhao Ziyang, the general secretary, remains in the party.

In 1976, Deng Xiaoping, the senior leader, was dismissed from all his posts, but his return to power a couple of years later was facilitated by the failure of his enemies to strip him of his party membership.

Chen Yun, the 85-year-old central planning expert, has recently argued against expelling people from the party for political reasons.

■ Hard-Liner Attacks

Vice President Wang Zhen, a leading hard-liner, has published an unusually sharp attack on the country's moderate elements, branding some as traitors and warning that the country would defend socialism "no matter what the cost," United Press International reported from Beijing.

Mr. Wang, 82, delivered the broadside Saturday in the party newspaper, People's Daily, commending the reprinting of a Cultural Revolution-era booklet authored by another leading hard-liner on the wartime theory of Mr. Mao.

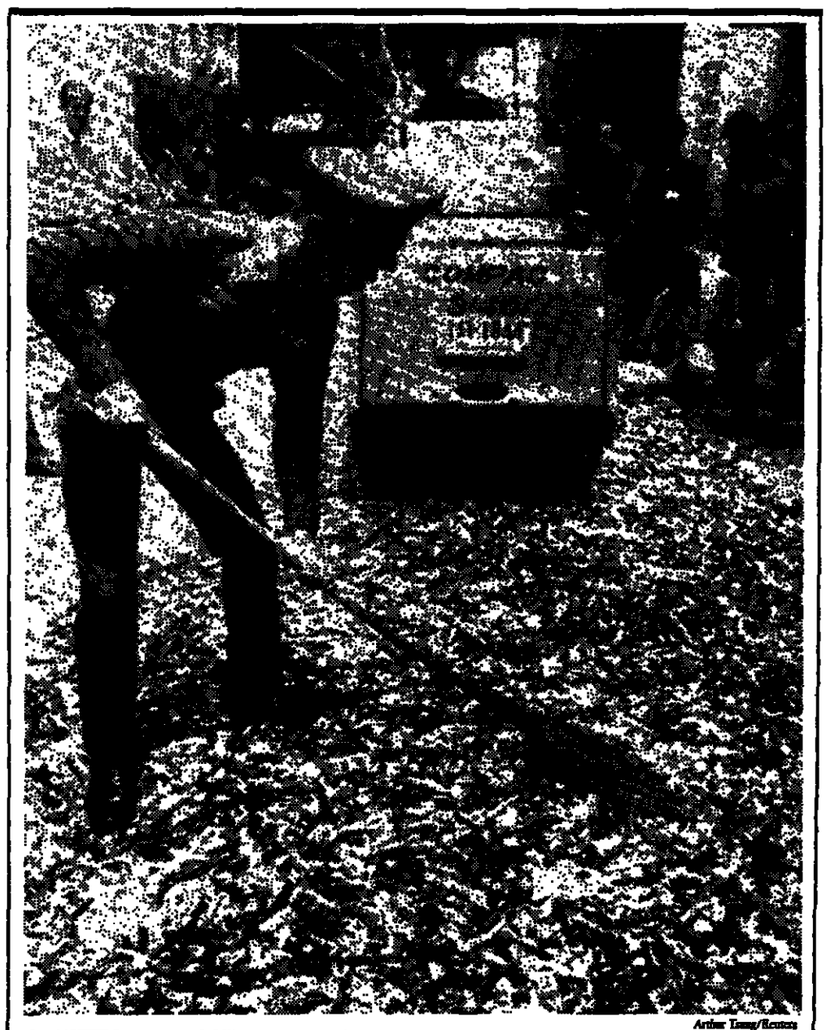
The article's rhetoric, including what appeared to be an attack on moderates prominent under Mr. Deng and later under the current party leader, Jiang Zemin, was among the harshest seen in the official press in recent months, observers said.

"At home and abroad," Mr. Wang said, "there are hostile forces that are anti-Communist Party and anti-socialist, including traitors, some of them from the second and third generations, who are using the ways of peaceful evolution to subvert socialism in China."

The party, under Mr. Deng's guidance, now refers to the Mao era as the "first generation," Mr. Deng's as the second and that of Mr. Jiang, who rose to party chief a year ago as Mr. Deng's handpicked choice and heir apparent, as the third.

The article did not appear to target Mr. Jiang, citing him as the "third generation" leader and praising his calls to re-emphasize Marxist philosophy.

The attack may have been aimed at other moderate figures, including intellectuals, and those linked with Mr. Zhao.



Arthur Tsang/Reuters

CRUSHING THE COUNTERFEITERS — A Thai policeman spreading imitation luxury watches to be smashed by a road roller during a public destruction of imitation goods in Bangkok. The crushed watches were among more than 18,000 fakes seized recently from street vendors.

Soviets Say Crew Will Repair Soyuz

Reuters

MOSCOW — Two Soviet cosmonauts will have to repair their Soyuz TM-9 spacecraft docked with the Mir space station before they can return to Earth, the newspaper Izvestia has acknowledged.

The report that Anatoli Solovyov and Alexander Balandin would have to repair torn insulation on their craft appeared to bear out recent reports in the U.S. press that the two cosmonauts had no reliable means of returning.

"The crew Solovyov-Balandin which was due to return to Earth soon has to make an unscheduled space walk for repair work," Izvestia said. "The term of the mission is being extended."

The newspaper said specialists had weighed the dangers of piloting the craft home in its current state and decided it was safer to carry out the repairs.

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June Christy, 64, Jazz Singer With Kenton, Dies

By Stephen Holden
New York Times Service

LOS ANGELES — June Christy, 64, whose wistful, foggy alto epitomized "cool" jazz singing in the 1940s and '50s, died Thursday at her home.

The cause of death was complications from kidney failure, said her husband, Bob Cooper, whom she met when he was a saxophonist for the Stan Kenton Orchestra, the band with which Miss Christy first gained great popularity in 1945.

Anita O'Day, then the lead singer for the Kenton band, later recalled hearing Miss Christy at a Chicago club called the Three Deuces and recommending her as Miss O'Day's replacement.

Among the band's three most famous lead singers, who also included Chris Connor and Miss O'Day, Miss Christy worked with the band the longest, six years. Four times, from 1946 to 1950, she was chosen "best female vocalist with a big band" in Down Beat magazine's annual poll.

Miss Christy's first recording with the Kenton band, "Tampico," was released in May 1945 and sold a million copies. Several other hit records with the band followed, including "It's Been a Long, Long Time" (1945), "Shoo-Fly Pie and Apple Pan Dowdy" (1946) and "Lonely Woman" (1948).

As a solo artist for Capitol Records, she recorded 18 post-Kenton albums. Her signature song as a soloist was Bill Barnes' extended, moody soliloquy, "Something Cool." She first recorded it in 1953, and two years later it became the title track of an album, arranged and conducted by Pete Rugolo, that is widely regarded as a pop-jazz classic.

In the early 1960s, Miss Christy and Mr. Rugolo re-created the album, note for note, in stereophonic sound. The singer called the record "the only thing I've recorded that I'm not unhappy with." It is the only Christy solo album that remains in print.

Eliahu Elath, 86, Journalist Who Helped Found Israel

JERUSALEM (NYT) — Eliahu Elath, 86, a journalist who championed the Zionist cause, helped found the state of Israel and became its first ambassador to Washington in 1948, died Thursday. The cause of death was not announced.

After serving in Washington, Mr. Elath became Israel's ambassador to Britain and played a prominent role in the diplomatic moves surrounding the 1956 Suez invasion by Britain, France and Israel.

After serving in London for a decade, Mr. Elath returned home to Israel in 1960 to direct the Afro-Asian Institute for Labor Studies, and in 1962 became president of the Hebrew University in Jerusalem, serving for six years.

Cedric H. Belfrage, 85, Author and Translator

CUERNAVACA, Mexico (NYT) — Cedric H. Belfrage, 85, an author, editor and translator who was deported from the United States to his native Britain in 1955 after refusing to tell congressional investigators whether he had ever been a Communist, died Thursday at his home.

His wife, Mary, said he had been in declining health since suffering a stroke nine years ago. But Mr. Belfrage continued writing, winning awards for translations of the Uruguayan writer Eduardo Galeano.

Elizabeth Harwood, 52, A Top British Soprano

LONDON (AP) — Elizabeth Harwood, 52, one of Britain's best known operatic sopranos in the 1960s and 1970s who specialized in lyric and coloratura roles and the music of Mozart, died of cancer Friday at her home in Fryerning.

Miss Harwood sang with nearly all the top British operatic companies and appeared regularly in leading roles at the prestigious annual music festival at Mozart's Austrian birthplace, Salzburg, in the early 1970s.

Sir Thomas Hopkinson, 85, Photojournalism Pioneer

LONDON (AP) — Sir Thomas Hopkinson, 85, a pioneer in photojournalism who used stark, unadorned pictures to raise awareness of society's ills, has died at his home in Oxford, his family said Friday. No cause of death was given.

Sir Thomas was editor of the now-defunct magazine Picture Post from 1940 to 1950 and was also editor of the South African magazine Drum from 1958 to 1961.

Contras Formally End War And Will Give Up Last Rifles

Compiled by Our Staff From Dispatches

MANAGUA — The Nicaraguan rebels have formally declared an end to their war, and top rebel commanders will complete the demobilization process by laying down their rifles on Wednesday, a government statement said.

Contra chiefs will hand over their weapons in the town of San Pedro de Lovago, about 140 kilometers (85 miles) east of Managua, the statement on the national radio said.

"The top military commanders of the Nicaraguan Resistance will be demobilized, thus finalizing the demobilization and disarmament of the Nicaraguan Resistance combatants," the statement said.

Up to Friday, a total of 16,642 rebels had been disbanded, according to United Nations military observers, who will continue to monitor the demobilization effort until their mandate expires Thursday.

The contras fought with U.S. backing against the leftist Sandinista government in an eight-year war that killed 30,000 people.

The contras began returning home after Violeta Barrios de Chamorro's electoral defeat of the Sandinista president, Daniel Ortega Saavedra, on Feb. 25.

(Reuters, AFP)

WORLD BRIEFS

Walesa's Top Advisers Resign, Citing 'Breach of Confidence' Over a Firing

WARSAW (UPI) — Several former top advisers of the Solidarity leader, Lech Walesa, resigned Sunday from the Civic Committee he founded to steer Poland toward democracy, citing a "breach of confidence" with their long-time leader.

The veteran Solidarity activists, including Adam Michnik, Zbigniew Bujak and Henryk Wujec, resigned during a stormy meeting of the 200-member committee. The session ended in disarray, with Mr. Walesa asking those who resigned to stay on. Another meeting is expected to be held in a month.

The meeting was called by Mr. Walesa to discuss the growing split within Solidarity's ranks over the pace of political and economic change in Poland. Mr. Walesa opposed efforts to use the Civic Committee movement as a base of support for the economic sacrifices demanded by the government of Prime Minister Tadeusz Mazowiecki, who is aligned with Solidarity.

On the eve of the meeting, 60 committee members had signed a letter accusing Mr. Walesa of a breach of confidence for his recent decision to dismiss Mr. Wujec, the committee's secretary, as his aide and for demanding Mr. Michnik's resignation for criticizing the dismissal.

U.S. and Soviet to Press Afghan Pact

WASHINGTON (WP) — The United States and the Soviet Union have agreed to accelerate efforts to find a compromise settlement to the war in Afghanistan following talks in Berlin between Secretary of State James A. Baker 3d and Foreign Minister Eduard A. Shevardnadze, according to a senior administration official.

Mr. Baker and Mr. Shevardnadze agreed to convene experts from both sides in Washington in the next few weeks to explore a settlement, the official said Saturday.

The major impediment to a compromise has been whether President Najibullah, leader of the Soviet-backed Afghan regime, would remain in power in a transition period during which elections would be held. The United States has insisted that General Najibullah step down during the transition period to ensure free and fair elections. But the Soviets have resisted ousting him.

Mandela in Washington for Talks

WASHINGTON (AP) — Nelson Mandela arrived Sunday in Washington, where he will meet with President George Bush and speak to Congress about the direction of U.S.-South Africa relations.

The South African nationalist leader will use the Washington visit, the third stop of his U.S. tour, to make his case for continued U.S. economic sanctions against South Africa's government. On Monday, he is to meet with Mr. Bush and Secretary of State James A. Baker 3d. On Tuesday, he is to become one of only a handful of private citizens who have addressed a joint session of Congress.

Mr. Mandela, who spent 27 years in jail before he was freed in February, received a hero's welcome last week in New York City, where 600,000 people turned out for a ticker-tape parade. In Boston, more than 220,000 lined the banks of the Charles River on Saturday to greet him.

Stampede Kills 7,000 King Penguins

HOBART, Tasmania (AP) — In an event scientists say they have never seen before, King penguins suddenly stampeded at a rookery on an island near here, killing 7,000 of them, officials said Sunday.

"We don't know at this stage why they stampeded — we have not observed this type of behavior before," a spokesman for the Australian State Parks Wildlife and Heritage Ministry. The stampede occurred at Macquarie Island's Lusitiana Bay, home to hundreds of thousands of birds and the site of one of the world's biggest king penguin rookeries.

The parks spokesman said about 6,000 chicks and 800 to 1,000 adults were found dead about three weeks ago on the island. "There was no one in the area at the time, and we have ruled out earthquakes," he said. "There is a lot of seismic activity on Macquarie Island, but there was no activity on that day."

TRAVEL UPDATE

World Cup Fans Face Rail Walkout

ROME (AP) — Italian train conductors and controllers, risking prison, began a nationwide 24-hour strike Sunday afternoon that threatened to disrupt rail traffic for thousands of World Cup soccer fans.

The state railway announced in advance that it would guarantee the running of at least 50 percent of long-distance passenger trains.

Transportation Minister Carlo Bernini said he would take the case to court to determine whether the strikers can be charged under a rarely used law on disruption of public services. Other railroad workers have threatened strikes for Thursday.

The French port of Calais was blocked Sunday on the sixth day of a strike by French ferry workers. Car-ferry traffic was being redirected to Boulogne and the Belgian port of Zeebrugge. *(AFP)*

Smoking on all French suburban commuter trains will be banned within the next few months, railroad officials said. *(AP)*

France no longer will require visas for Hungarians visiting less than three months, the government has announced.

Gulf Air will offer three round-trip flights a week to Australia beginning in early December, it was announced Sunday. The airline, which is jointly owned by Bahrain, the United Arab Emirates, Qatar and Oman, will fly twice a week to Sydney and once weekly to Perth. *(AFP)*

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Colombia, Madagascar, Mozambique.
TUESDAY: Madagascar.
WEDNESDAY: Djibouti.
THURSDAY: El Salvador, Peru.
FRIDAY: Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Malta, Peru, Seychelles.
SATURDAY: Central African Republic, Guatemala, Israel, Sri Lanka, Sudan, Zaire.
SUNDAY: Bangladesh, Burundi, Egypt, Ghana, Pakistan, Rwanda, Suriname, Taiwan.

Source: Morgan Guaranty Trust Co., Reuters.

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Amsterdam	19	66	11	52	fr
Athens	31	88	21	70	fr
Barcelona	27	81	18	64	fr
Belgrade	31	88	18	64	fr
Berlin	20	68	13	55	r
Brussels	19	66	9	48	fr
Budapest	25	77	14	57	fr
Copenhagen	20	68	10	50	fr
Costa Del Sol	28	82	18	64	fr
Dublin	18	64	11	52	r
Edinburgh	18	64	7	45	fr
Faro	28	82	21	70	fr
Florence	27	81	17	63	fr
Frankfurt	20	68	9	48	fr
Geneva	22	72	11	52	fr
Helsinki	23	73	12	72	fr
Las Palmas	26	79	21	70	fr
Lisbon	28	82	17	63	fr
London	18	64	9	48	fr
Luxembourg	17	63	11	52	fr
Madrid	34	93	17	63	fr
Milan	29	84	17	63	fr
Moscow	16	61	10	50	fr
Munich	16	61	9	48	fr
Nice	25	77	19	66	fr
Oslo	18	64	12	54	fr
Paris	19	66	12	54	fr
Prague	17	63	9	48	fr
Reykjavik	14	57	10	50	fr
Rome	29	84	18	64	pc
Stockholm	21	70	11	52	fr
Strasbourg	22	72	14	57	fr
Venice	26	79	16	61	fr
Vienna	22	72	11	52	fr
Warsaw	19	66	11	52	fr
Zurich	17	63	10	50	fr
MIDDLE EAST					
Amman	30	86	9	48	fr
Cairo	35	95	20	68	fr
Istanbul	29	84	19	66	fr
Jerusalem	31	88	19	66	fr
Tel Aviv	32	90	17	63	fr
OCEANIA					
Auckland	—	—	—	—	na
Sydney	—	—	—	—	na

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	33	91	27	81	sh
Beijing	30	86	21	70	cl
Hong Kong	31	88	29	84	r
Manila	32	90	25	77	r
New Delhi	39	102	33	91	r
Seoul	25	77	20	68	r
Shanghai	27	81	24	75	sh
Singapore	31	97	27	81	r
Taipei	28	82	26	79	sh
Tokyo	30	86	24	75	sh
AFRICA					
Algiers	30	86	21	70	cl
Cape Town	15	59	1	34	fr
Casablanca	24	75	19	66	fr
Harare	25	77	8	46	fr
Lagos	31	88	25	77	sh
Nairobi	26	79	10	50	fr
Tunis	32	90	18	64	fr
LATIN AMERICA					
Buenos Aires	—	—	—	—	c
Lima	—	—	16	61	c
Mexico City	24	75	14	57	sh
Rio de Janeiro	24	75	15	59	fr
NORTH AMERICA					
Anchorage	17	63	9	48	pc
Atlanta	29	84	18	64	pc
Boston	25	77	15	59	fr
Chicago	25	77	14	57	fr
Denver	35	95	16	61	fr
Detroit	23	73	11	52	fr
Honolulu	29	84	23	73	pc
Houston	33	91	22	72	pc
Los Angeles	25	77	16	61	pc
Miami	31	88	23	73	pc
Minneapolis	28	82	17	63	fr
Montreal	19	66	11	52	fr
Nassau	31	88	24	75	pc
New York	24	79	16	61	fr
Phoenix	45	113	29	84	pc
San Francisco	21	70	11	52	pc
Seattle	18	64	13	55	sh
Toronto	24	75	10	50	fr
Washington	26	79	18	64	fr

cl-cloudy; fr-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Slight. FRANKFURT: Fair. Temp. 24 — 13 (75 — 55). LONDON: Cloudy. Temp. 21 — 12 (70 — 54). MADRID: Stormy. Temp. 30 — 18 (86 — 64). NEW YORK: Partly cloudy. Temp. 24 — 15 (75 — 59). PARIS: Fair. Temp. 28 — 14 (82 — 57). ROME: Fair. Temp. 30 — 20 (86 — 68). TEL AVIV: NA. ZURICH: Fair. Temp. 27 — 12 (81 — 54). BANGKOK: Showers. Temp. 34 — 27 (93 — 81). HONG KONG: NA. MANILA: Rain. Temp. 31 — 24 (88 — 75). SEOUL: Rain. Temp. 24 — 17 (75 — 63). SINGAPORE: Showers. Temp. 33 — 26 (91 — 79). TOKYO: Fair. Temp. 30 — 24 (86 — 75).

Old Itch Grips '92 Hopefuls

Economic Woes Boost Democrats

By Michael Oreskes
New York Times Service

WASHINGTON — The savings and loan problems, regional recessions, a credit crunch, the rising deficit and President George Bush's sudden decision to negotiate with Congress on the budget have combined to change the mind-set in the Democratic Party about its prospects for 1992.

Until recently the talk in political circles was about how no one, except the Reverend Jesse L. Jackson or possibly Senator Lloyd Bentsen of Texas, wanted the 1992 Democratic presidential nomination.

But the stream of bad news is making Americans increasingly edgy about the economy, the bread-and-butter domestic issue on which presidents rise and fall.

As if a light bulb flashed on overhead, Democrats have begun to realize that the current rise in anxiety about the economy could be the start of the most important political development of the 1990 and 1992 elections.

They say that if opinion and the economy itself continue to sour, Mr. Bush will not be the overwhelming figure he seems today.

Presidential aspirants and their workers are stirring behind the scenes as they sense the opportunity.

Terrence McAuliffe, a Democratic fund-raiser who worked for Representative Richard A. Gephardt's campaign in 1988, said: "I'm getting a lot more calls about 1992 than I did a few months ago. There is a much more general uneasiness in the economy, and you have a renewed interest by Democrats taking a much more serious look at 1992."

Notwithstanding Mr. Bush's popularity, a top Republican campaign adviser says that if the economy turns sour, "We lose."

Democrats who had publicly ruled out a bid for president in 1992, like Senator Bill Bradley of New Jersey and Mr. Gephardt of Missouri, are now said by associates to be taking a second look at the question.

Donald F. Kettl, a professor of political science at Vanderbilt University, says one big problem lies ahead for Democratic candidates who hope to ride a wave of economic discontent to the White House: Candidates will have to decide whether to seek the nomination before they know how the economy will look in the fall of 1992.

A candidacy begun in the expectation of facing a vulnerable Mr. Bush could wind up facing an incumbent president buoyed by economic improvement.

Some Democrats are already hammering the Bush administration on economic themes. Notable among them is Governor Mario M. Cuomo of New York, who along with Mr. Bradley, Senator Bob Kerrey of Nebraska and other Democrats, has drawn blood in an effort to blame Mr. Bush and the Republican Party for the savings and loan problems.

Republican wariness of this issue was apparent on Tuesday when Marlin Fitzwater, Mr. Bush's spokesman, struck back, naming several Democrats, including Mr. Kerrey, who he said had embarrassing links to the scandal.

Democrats see the savings and loan problems as part of a larger package of economic issues, all tied together by the theme that the prosperity of the 1980s was built on greed, corruption and unfairness.

Eric Risberg/The Associated Press

Demonstrators and AIDS conference delegates marching to demand a global effort for more money and care for AIDS patients.

Experts Hopeful on Potential AIDS Shot

By Philip J. Hilts
New York Times Service

SAN FRANCISCO — Optimistic after a string of laboratory successes, researchers are assembling potential vaccines against AIDS and may start preliminary testing within a year, scientists here said at the 6th International Conference on AIDS.

"In the past year, we've cracked open the door in our optimism about a vaccine," said Dr. Wayne C. Koff, chief of vaccine research at the National Institute of Allergy and Infectious Diseases.

"And I think in the next two or three years we will knock it down."

Some of the experiments came after dozens of failed experiments in animals since 1986, failures that produced a deep pessimism about whether a vaccine would ever be possible.

Reports given at the meeting demonstrated that monkeys, chimpanzees, cats and cells in an artificial human immune system can be protected against infection.

These early experiments will continue, Dr. Koff said, but it is also urgent to begin tests as soon as possible.

He said that within a year, researchers may begin experiments in which a vaccine will be used to treat pregnant women already infected with the virus.

The researchers hope the vaccine may retard the development of disease in the women and may prevent them from passing the infection to their babies, Dr. Koff said.

About one-third of the babies born to infected women acquire the disease in the womb.

Tests of the more conventional use of a vaccine, to protect the population against infection, are not likely to begin for two to four years.

Researchers said that the amount of time it would take to create a working vaccine depended on success at each step along the way, though there is now hope that one may be on the market in 10 years.

There are now about 30 vaccine candidates being tested in laboratories around the world, and about $180 million is being expended on the work, Dr. Koff said, including $150 million for research and $30 million for preliminary safety tests being done in humans.

In work presented by Dr. Alexandra Levine of the University of Southern California, 82 patients infected with the virus were given a vaccine created from a live but disabled AIDS virus over the last two years. Among them, only one has developed an infection characteristic of AIDS, and five have developed Kaposi's sarcoma, the cancer associated with AIDS.

The experiment had no comparison group, so no conclusions may be drawn, but it appears that rate of progression to disease is about a fifth of the rate found in other experimental groups.

On Saturday, AIDS protesters joined hands with researchers and policymakers who had attended the five-day affair, which ended Sunday, and marched through downtown San Francisco. They called for a worldwide shared agenda to help people with AIDS by speeding treatment, improving health care and ending discrimination.

■ Unsafe Sex Increasing

Malcolm Gladwell of The Washington Post reported from San Francisco:

Homosexual men are relapsing into unsafe sexual behavior, and other groups at risk for infection by the virus that causes AIDS are ignoring warnings about the dangers of unprotected sex, according to researchers at the AIDS conference.

This behavior worries many AIDS experts who fear the failure of safe-sex education, the center of efforts to fight AIDS over the past decade, could further exacerbate the epidemic.

The news from the studies was not entirely discouraging. Among gay men as a whole, for example, the percentage who practice safe sex has risen from 31 percent to 58 percent in the past four years and high risk behavior has dropped to less than 10 percent.

But behind that overall picture, researchers said, are several disturbing trends:

- Homosexual and bisexual men under 30 are twice as likely to engage in unprotected anal sex — the sexual act most likely to transmit the AIDS-causing HIV virus — as older men.
- Half of black homosexual men continue to engage in anal intercourse without a condom.
- Nineteen percent of homosexual and bisexual men who practice safe sex report relapsing to unsafe behavior over a four-year period.
- Sexually active, heterosexual high school and college students only rarely use a condom. A Canadian study found that only a quarter of college males always use a condom. And of the 21 percent of males who report 10 or more sexual partners, only 20 percent reported regularly using a condom.

With Crystal, Gold and Silver, A Miami S&L Ignored Thrift

By James LeMoyne
New York Times Service

MIAMI — When the glitziest remnants of Florida's glitziest, but now bankrupt, savings and loan went on the block here, eager bidders carted off such necessities of modern American business as 1,440 Baccarat crystal goblets, a sprinkling of gold-washed serving dishes, pounds of silver flatware and a mahogany cigar humidor.

These and hundreds of other serving pieces of silver, brass, washed-gold, carved Art Deco vases, mahogany dining carts and fish dishes with fins all once graced the executive dining room of Miami's failed CenTrust Bank.

But now CenTrust is in the hands of government regulators who estimate that bailing out the bankrupt company will cost taxpayers about $2 billion.

An auction Saturday was designed to recoup some of the losses for the man on the street. But besides that worthy goal, the sell-off of corporate dinnerware offered a kind of back-handed celebration of the conspicuous high empire capitalism of the Reagan years.

CenTrust was Florida's largest savings and loan until it failed and was taken over by the government in February.

Like peasants allowed a glimpse of Marie Antoinette's dining room, gawking locals and serious buyers were allowed to make a tour of the de rigeur designer labels that defined the nouveau Southern California style of the last decade — a taste that appears decidedly congenial to Miami's own label-fixated bourgeoisie.

Gold-rimmed Baccarat crystal nestled on tables beside Limoges china plates, Tiffany ashtrays, Callegaro cheese knives and Christofle grape shears. Liquor wagons stood at the ready next to a silver-domed cheese and pastry cart.

One fellow bought a couple of the carts, set them in the trunk of his large blue Mercedes and drove away, looking well-pleased.

But others were more critical as they hefted pieces from what was until recently Miami's most opulent corporate dining room.

"I am outraged that the chairman of a company could do this, that he could put this stuff in his corporate dining room," said Melany Kauffman from Boca Raton as she looked over a table laden with silver flatware and platters.

In an odd accompaniment to the sets of dining ware, auctioneers also offered a handful of leather-bound books, several of them first editions, by writers as diverse as Oscar Wilde and Ian Fleming.

The books apparently once graced the office of David Paul, the former CenTrust chairman who is now the object of diverse law suits.

In order to bid, people had to deposit $300.

■ Anti-Fraud Steps Set

President George Bush has announced increased efforts to fight fraud in the savings and loan scandal, including a doubling of funding, The Washington Post reported.

He called for a doubling of funds for investigations and prosecutions of financial institution fraud, from $50 million this fiscal year to $100 million next year.

The administration also announced the establishment of a special counsel to oversee a new financial fraud unit to coordinate all the government's thrift enforcement efforts. James G. Richmond, U.S. attorney for northern Indiana, was named to the post.

In addition, Mr. Bush announced the formation of a "rapid response team" to hit failing institutions on short notice.

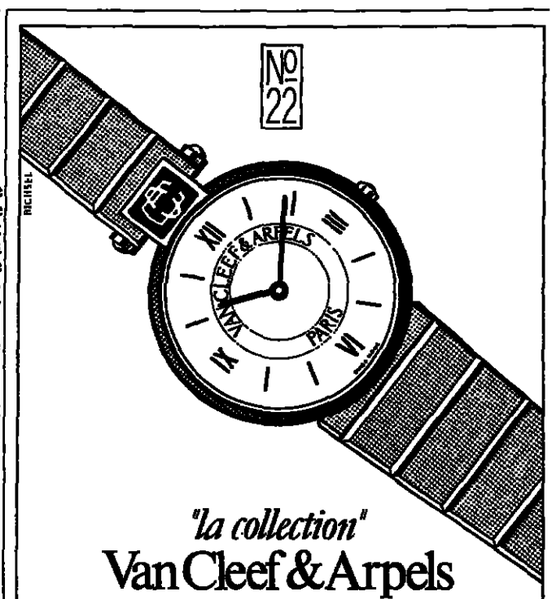
German Artwork Moved in Dallas, Church Contends

New York Times Service

DALLAS — Lawyers of the Church of Quedlinburg have charged in U.S. District Court that minutes before a judge ordered that stolen church artworks not be moved, there was suspicious activity at the bank vault where they were stored.

The lawyers, representing the East German church in its suit to regain the artworks, said that an unidentified person entered the vault at the First Interstate Bank of Texas in Dallas, where some of the artworks are on deposit, and placed items in a newly rented safe deposit box there.

The church also asserted in a motion that Jane Meador Cook, sister of the late Joe T. Meador, the man who is believed to have stolen the treasures from their hiding place in a mine shaft shortly after American troops occupied Quedlinburg in 1945, entered the same bank vault and removed objects while discussions to regain the art were in progress. Experts have called the wartime art theft one of the biggest of the century.



"la collection"
Van Cleef & Arpels
Paris

PARIS, GENEVE, MONTE CARLO, NEW YORK, BEVERLY HILLS, TOKYO, OSAKA, HONG KONG, SINGAPORE, SYDNEY, KUWAIT, MILANO, ROMA, MADRID, BRUXELLES, DEN HAAG, DÜSSELDORF

AMERICAN TOPICS

Roosevelt Memorial Gets Final Go-Ahead

The U.S. Commission of Fine Arts has approved the design for the Franklin Delano Roosevelt Memorial by a 4-to-0 vote, with one abstention, ensuring that the $47.2 million memorial will be built.

The design, conceived more than a decade ago by Lawrence Halprin, a San Francisco landscape architect, includes paved walkways and shaded spaces next to Washington's tidal basin. It includes rough-hewn granite walls, fountains, pools and waterfalls. Each shaded space will have sculptures and inscriptions dealing with aspects of Roosevelt's four terms as president. It is to be completed by 1995.

Efforts to build the memorial to Roosevelt, who served from 1933 to 1945, date from the mid-'50s; they had repeatedly been frustrated by contentiousness over the size, style and location of a fitting memorial to the 32d president. Two designs for abstract vertical monuments were withdrawn during the 1960s. Mr. Halprin's proposal had languished through the '80s for lack of congressional funds. U.S. taxpayers will foot the bill.

Short Takes

Officials have begun to enforce a long-ignored provision of federal environmental law by suing as many as 16 companies accused of polluting waters off Southern California, the Los Angeles Times reports. It could lead to a sweeping reform of environmental enforcement, requiring polluters not only to clean up after themselves but to restore wildlife and habitat to their natural states in accordance with little-noted provisions of the 1980 superfund law and 1972 Clean Water Act. It was unclear what would constitute such a restoration and how much it would cost.

The monthly air travel consumer report issued by the U.S. Transportation Department lists all airline flights that are 15 or more minutes late. However, The Washington Post notes, the report does not say whether the delays are caused by weather, crowded conditions or by the airlines themselves, which often hold planes for connecting flights. In addition, airlines are not required to report mechanical delays, on the premise that they should not be pressured to operate amid unsafe conditions.

For those whose old New Yorker magazine covers are peeling off the garage or bathroom walls, or for anyone else with the $75 purchase price, Alfred A. Knopf, the New York book publisher, has issued "The Complete Book of Covers From the New Yorker: 1925-1989," with up to 12 of the weekly's covers per page for a total of 3,328 covers, all in color, on 391 pages.

About People

Jeane Kirkpatrick, who was President Ronald Reagan's chief delegate to the United Nations from 1981 to 1985, has been on the lecture circuit ever since. Next year she is expected to make 70 speeches at $20,000 per, earning a tidy $1.4 million.

The television comic Jay Leno said he noticed a good photo opportunity in front of New York's Trump Plaza Hotel — **Ivana Trump** tossing coins into the recently refurbished fountain. The sad part, he said, was seeing her estranged husband, **Donald Trump**, whose real-estate empire is having cash flow problems, diving in after them.

Arthur Higbee

Cuba to Release Tapes of Noriega

The Associated Press

MIAMI — The Cuban government is willing to cooperate with U.S. prosecutors and turn over tape recordings of meetings between Fidel Castro and Manuel Antonio Noriega for use in the ousted Panamanian leader's drug trial in the United States, a Cuban official said.

In one meeting, Mr. Noriega told the Cuban president of the 1984 destruction of a Colombian cocaine laboratory in Darien, Panama, as an example of Panamanian efforts to fight drug smuggling, said Ramiro Abreu, a Cuban official.

U.S. prosecutors say Mr. Castro was acting as an intermediary between Mr. Noriega and leaders of Colombia's notorious Medellin cocaine cartel, who were angered by the loss of the lab.

Raped New York Jogger May Testify

United Press International

NEW YORK — The first trial of youths charged with the brutal rape of a woman who was jogging in Central Park moves into opening statements Monday amid strong indications that the victim of the highly publicized attack plans to testify.

During jury selection at state Supreme Court in Manhattan last week, the prosecution gave the strongest hint yet that the woman, an investment banker, will take the witness stand against Raymond Santana, 15, Yusef Salaam, 16, and Antron McCray, 16.

They are the first three youths to be tried for rape and attempted murder in the April 19, 1989, attack.

Prosecutors say the three youths were among 30 youths who entered the park with plans to go "wilding," or randomly harassing and mugging passers-by.

Six youths were indicted on charges they were among the youths who beat and raped the 29-year-old Wall Street investment banker.

The victim's name has not been released by news organizations.

Although the jogger does not remember the attack, defense lawyers agree that her appearance in the courtroom might sway the jury.

While questioning prospective jurors last week, Assistant District Attorney Elizabeth Lederer asked if they would feel negatively about a witness who could not recall all the details of an incident.

As a result of the brutal beating, the jogger lost three-quarters of her blood and doctors described her life as "hanging by a thread."

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C ☐ install your own Service 800 toll-free numbers to keep lines of communication open

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Canada Seeks to Assure Investors After Quebec Accord Fails

Compiled by Our Staff From Dispatches

OTTAWA — Canada's finance minister appealed to investors for calm on Sunday, saying that the constitutional crisis would not change the economic policies that have made the nation a safe haven for foreign funds.

The minister, Michael Wilson, was speaking after the collapse of a potential agreement widely regarded as the last chance to keep Quebec a part of Canada.

There were fears that the failure of the constitutional amendment, known as the Meech Lake Accord, might set off a run on the Canadian dollar and provoke a sharp drop on the stock markets Monday.

The accord was declared dead late Friday after the legislatures of the provinces of Manitoba and Newfoundland adjourned without voting on the measure. The deadline for approval was Saturday.

The Quebec premier, Robert Bourassa, said over the weekend that he would take part in no more constitutional talks or meetings with other provincial leaders. He added that Quebec planned to seek control of provincial immigration, communications and labor relations from the federal government.

But Mr. Bourassa said his government needed more time to consider whether to seek independence. There is broad expectation that he hopes that passions in the province of 6.5 million people — 80 percent of them French-speaking — will subside over the summer, giving him time to weigh options.

Prime Minister Brian Mulroney warned that Canada would pay for failing to approve the constitutional changes, but sought to reassure investors that the nation was still sound.

Mr. Mulroney, who for months warned Canadians of Quebec secession if the amendment failed, said, "The idea of a truly united, generous, tolerant Canada endures, and will eventually prevail."

The Meech Lake Accord would have given Quebec wider powers over the screening of immigrants to maintain the number of French-speaking people in the province. In addition, it would have recognized Quebec as a "distinct society" and given it powers to promote and protect its French culture and language.

The federal government had lobbied hard to get the amendment passed by each of the 10 provinces before Saturday, including suggesting that it would ask the Supreme Court to waive the deadline. When Newfoundland's premier, Clyde Wells, heard that, he canceled the province's voting, effectively killing the amendment.

Quebec, which collects its own income taxes and administers its own pension system, already has greater autonomy than any other province.

Mr. Bourassa, a Harvard-trained economist, has spent much of his five years in office seeking to ease Quebec's long-standing discomforts while keeping it a part of the country it helped to create in 1867. But his reaction to the latest collapse indicated that he may finally have decided that Quebec cannot find peace without moving toward some form of sovereignty.

Although eight provinces approved the Meech Lake pact, and Manitoba had said it would pass it if given more time, Mr. Bourassa presented its failure as a nationwide rebuff. "English Canada must clearly understand that whatever is said, whatever is done, Quebec is today and forever a distinct society, capable of ensuring its own development and destiny."

In English-speaking areas of the country, the collapse of the accord spawned mixed reaction.

Those who had opposed a special status for Quebec were pleased at its demise, while others, including most major political leaders, were dismayed that a chance for a historic compromise with Quebec had been lost.

Investors fearful about political stability have sent Canadian currency and bond markets on a roller-coaster ride. But Mr. Wilson said that the government will be even more committed to fighting inflation and the budget deficit to maintain a stable environment for foreign funds.

"There is not a fundamental schism in the country," he said. "There is a problem with the amending process" of the constitution. "As far as other matters are concerned, it's business as usual."

The situation is a blow for Mr. Mulroney, the leader of the Progressive Conservative Party, who had become inseparably associated with the pact and its concessions to Quebec in the minds of many Canadians. On Saturday, several prominent opposition figures who had supported the pact said the prime minister should resign.

The main beneficiary of Mr. Mulroney's current problems in English-speaking regions seemed to be the Liberal Party. On Saturday it chose a leader known for his opposition to the Meech Lake accord, Jean Chrétien, a 56-year-old Quebecker who was finance minister under Prime Minister Pierre Elliott Trudeau.

Mr. Chrétien said he would try to secure Quebec's commitment to remain part of Canada under the principle of "10 equal provinces" that Mr. Trudeau used as his guideline in the 14 years that he led the country.

(Reuters, UPI, NYT, AP)

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Shawn Best/Reuters

Elijah Harper of Manitoba's legislature lifted a victory fist after helping to thwart a pact on giving Quebec 'distinct society' status.

The Province's Status: Independently Wealthy

By Louis Uchitelle
New York Times Service

NEW YORK — Whatever the outcome of Canada's crisis over Quebec, the French-speaking province has slowly developed an economy strong enough to allow Quebec to separate and become a nation three times the area of France, taking with it nearly a quarter of Canada's wealth.

Few economists challenge the proposition that a new generation of French-speaking business leaders have greatly expanded Quebec's manufacturing base, giving the province the wherewithal to operate on its own.

Even those who hope the Canadian union will be saved acknowledge that secession can work, provided Quebec enjoys the good will of the United States.

"The economic viability of Quebec is no longer in doubt," said John Kenneth Galbraith, the Canadian-born Harvard economist. "But this is not the issue. The political and cultural loss to Canadians would be irretrievable."

It became apparent late Friday that Canada's nine other provinces would not meet the deadline for approving the Meech Lake Accord that would have recognized Quebec as a "distinct society," and the death of the accord has brought a new stalemate to the political maneuvering over separatism.

Still, Quebec seems to be moving toward de facto autonomy, propelled by French-speaking executives, men mostly in their late 40s. They have made it clear recently that they see separation not so much as an ideological goal but as good in the long run for the province's economy.

Over the last 15 years, these executives have gained control of Quebec's industries, replacing the English-speaking managers who held sway for generations. They now own or control companies that employ 61 percent of the provincial work force, up from less than 50 percent in the early 1970s.

As Quebec's manufacturing base grows and diversifies, they speak restlessly of Montreal as the vibrant commercial center of a province whose main growth would be through exports to the United States and Europe; 17 percent of Canada's exports, worth nearly $23 billion, come from Quebec.

The polling company Barometer says a majority in the province favors separation. "People here know that to be independent tomorrow morning would have a price," said a spokesman. "But businessmen say that it would be easier to operate as a trading center if Quebec were independent."

There is some handwringing over the prospect of separation. Quebec's Employer Council, representing more than 500 companies, says that that the provincial economy might not be strong enough to prosper during a period of transition — and such uncertainty has already reduced investment in the province and pushed up interest rates on Quebec's bonds.

Even the most ardent separatists acknowledge that a breakaway Quebec could run into difficulty without the goodwill of the United States and neighboring Ontario.

In virtually everyone's view, the United States would have to extend to Quebec the free trade agreement now in effect for all of Canada, and Ontario would have to continue to purchase huge quantities of Quebec's output.

Ontario, Canada's richest province, turns out 38.5 percent of the gross domestic product; Quebec generates 23.6 percent. Quebec's GDP is worth roughly 129 billion U.S. dollars, and the two provinces sell to each other more than 20 percent of their total output.

Separatist leaders say Ontario could not afford to give up the Quebec market and that U.S. business would not want to exclude Quebec's nearly seven million people from the free-trade zone. Canada's total population is about 27 million.

For a Day, Farmers Own the Champs-Elysées

Reuters

PARIS — Wheat grown on pallets and trucked in as a publicity stunt to improve the image of European farmers transformed the Avenue des Champs-Elysées on Sunday into golden waves of grain.

During the evening, three old-fashioned combines and 1,800 farmers from across Europe "harvested" the one-kilometer (half-mile) stretch of Paris' most famous avenue, which is normally packed with eight lanes of cars.

French farm groups, with government aid, spent 27 million francs ($4.7 million) on the "great harvest" spectacular — money that an environmentalist group said would have been better spent on sending city children to the countryside.

Wheat, France's biggest grain crop, accounts for a sizable share of the $53 billion spent by the European Community last year to support agriculture.

Tens of thousands of Parisians and tourists watched from behind barricades as television crews, photographers and farmers from 13 countries strolled among the stalks, ferried in by 800 farm laborers aboard 460 trucks.

"People who live in the cities have become ignorant of the economic weight of rural life," the EC Commission president, Jacques Delors, said. "We had to do something striking."

One in five French farmers has left the soil in the past decade, in part because of stagnant prices. While farm payments account for a huge part of EC spending, they have dropped in recent years and there is pressure to make deeper cuts.

Mr. Delors told a group of farmers that the annual French grain trade surplus was 38 billion francs, more than the combined surpluses in motor vehicles and aeronautics.

The average French farmer grows enough to feed 40 people, more than five times the 1960 figure.

"This has made me sit up and think about agriculture," said Brigitte Monthiers, who lives near the Avenue des Champs-Elysées. "Farmers need help."

Farm groups also hope the daylong spectacle will rally opposition to a U.S. proposal at world trade talks that EC leaders say would destroy family-sized European farms.

"We must not give in to American blackmail," Mr. Delors said.

In addition to the environmentalist criticism, the stunt brought other disapproval from some individuals.

"It's created one, big, monstrous traffic jam elsewhere in Paris," said a suburbanite, René Gonidec.

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— *hand delivery	D.M.	758	361	389
Great Britain	£	150	185	82
Greece (mail)	Dr.	33,000	28,880	18,000
— hand delivery Athens	Dr.	41,000	30,880	23,000
Ireland	Brl.	155	118	85
Italy	Lire	420,000	308,000	231,000
Luxembourg	L.Fr.	11,000	7,200	6,000
Netherlands	Fl.	600	492	340
Norway (airmail)	N.Kr.	2,250	1,350	1,200
— **hand delivery	N.Kr.	2,700	943	1,480
Portugal	Esc.	31,000	30,908	17,000
Spain (mail)	Ptas.	35,000	25,060	19,200
— ***hand delivery Barcelona, Bilbao, Seville	Ptas.	38,000	22,060	20,900
— ***hand delivery Madrid	Ptas.	51,480	—	25,740
Sweden (airmail)	S.Kr.	2,200	1,440	1,210
— **hand delivery	S.Kr.	2,800	880	1,540
Switzerland	S.Fr.	500	446	275
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IRAN: *Amid the Devastation, Prayers for the Dead*

(Continued from page 1)

behind the barren mountains that stretch north and west from Tehran.

From a government helicopter, reporters saw razed villages and towns. Fault lines from the earthquake were visible at places in the hills where new canyons were carved into the sides of mountains.

Rows of trees in the region's famous olive orchards had been flattened.

Near the town of Manjin, however, a large dam held firm at the head of a river valley filled with villages.

Planeloads of international relief supplies and teams of earthquake rescue specialists began to reach the northwest Saturday.

At an airfield in the city of Qazvin, which is being used as a base for the airlift operation, reporters counted 40 fixed-wing aircraft and 15 helicopters and were told that 25 of the planes had been chartered from Poland for use in the rescue effort.

In its appeals for international assistance, the Iranian government has emphasized the need for heavy machinery such as cranes and bulldozers to help remove rubble and clear roads through the northwest.

On the highway between Tehran and the badly affected Zanjan Province, dozens of trucks carried earth movers and bulldozers on flatbed trailers from the capital.

At Tehran's airport, helicopters and light aircraft lifted off with supplies and returned with wounded bound for the capital's hospitals.

The government said it had carried out more than 1,500 air-relief missions to the northwest.

The International Red Crescent and Red Cross are serving as conduits for much of the aid that has poured into Iran from abroad. The Red Crescent appears to have distributed thousands of tents in the devastated Roudbar area, although residents and Iranian officials say that in some regions the tents are of little use because of high winds.

Iran has appealed for donations of metal containers that can be used for housing. Even if available, these would be difficult to transport to the northwest.

Some residents of the Roudbar region complained of problems in the coordination of relief efforts.

"There is some problem as to food distribution here — especially for us at the end of the line," said Hadia Bakian, 30, a welder whose house collapsed moments after he and his family escaped. "Instead of arguing over differences, we should concentrate on making progress."

Despite problems of coordination between provincial and federal authorities, Iran's tightly controlled Islamic revolutionary government appeared to be responding well to its latest crisis, using Revolutionary Guards to organize relief convoys, opening its borders to assistance from Western adversaries such as Britain and the United States and establishing a system for evaluating and evacuating the injured from the earthquake region.

31 Feared Dead on Nile Boat

The Associated Press

KHARTOUM, Sudan — Twenty-nine people drowned and 52 others were missing and presumed dead after a ferry sank in the Nile in central Sudan, the Sudan News Agency reported Saturday. The boat was traveling from Kosti, a river port 168 miles (270 kilometers) south of Khartoum, to Aba Island across the Nile.

Turkey Puts Flood Toll at 50

Agence France-Presse

ANKARA — Fifty people have died and 12 are listed as missing in torrential floods that hit the Trabzon and Giresun regions along Turkey's Black Sea coast, according to an unofficial toll issued Sunday.

'Zodiac' Gunman Picks Victims By Birth Dates

New York Times Service

NEW YORK — A New York gunman who calls himself the Zodiac appears to be stalking his victims based on their birth date, police officials said here.

They said they reached that conclusion when they realized four astrological signs — Taurus, Gemini, Scorpio and Cancer — that were on a note left at the scene of the latest shooting linked to the gunman corresponded to the birth dates of the four victims.

The latest victim, a 30-year-old homeless man who was shot in the chest on Thursday in Central Park, told the police that a few days before the shooting he gave his date of birth to a man who fit the description of the gunman — tall, black and bearded.

Anyone who has been asked by a stranger or even a casual acquaintance about their birthday or about their astrological sign should report the information, a police official said.

There is a span of 21 days between each shooting, the police said, except between the second and third shooting when 63, or 3 times 21, days elapsed.

Solution to Friday's Puzzle

A	H	A	B	S		S	O	S		H	O	S	T	A
M	A	N	E	T		A	T	E		A	B	L	E	R
A	N	G	L	E		F	I	R		O	V	A	L	S
	G	E	O	R	G	E	C	A	R	L	I	N		
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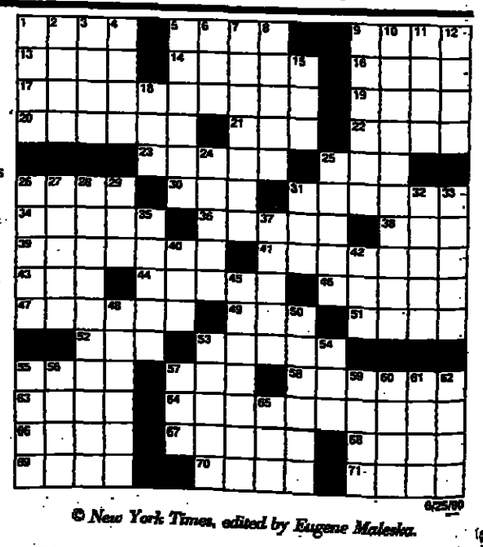
D	I	O	D	E		R	O	O		S	M	I	T	H
A	M	E	E	R		N	I	L		K	O	R	E	A
S	A	S	S	Y		S	L	Y		S	N	E	R	D

ACROSS

1 Site of a biblical wedding feast
5 Woody pulp
9 Cain's victim
13 O.T. book
14 Wall hanging
16 A son of Jacob
17 Tuxedo, in slanguage
19 Radar signal
20 Quickly, in music
21 Miniver or Grundy
22 Escapees from Pandora's box
23 Crescent points
25 Sailor, in slanguage
26 *Yawn*
30 Definite article
31 Juveniles
34 Swears to
36 Rose oil
38 Golfer's peg
39 Grew toward evening
41 Akin
43 Fire residue
44 Pupil, in Paris
46 *Push roughly*
47 Women's wraps
49 Pismire
51 Part of N.A.
52 Roman household god
53 Forest in "As You Like It"
55 Surveyors' measures
57 Date 15 years before the Battle of Hastings
58 Playfully pestered
63 Raw metals
64 Clumsy shoe
66 Parcel of land
67 A nephew of Donald Duck
68 Room, in Madrid
69 Bulk
70 River to the North Sea
71 Formerly, formerly

DOWN

1 Bivouac
2 Cupid
3 Not any
4 Requests
5 *Disburse*
6 Tax agcy.
7 Herb Alpert companion
8 Filaments
9 Britain, in literature
10 Style of trousers
11 Malicious
12 Facial features
15 Kin of aves.
18 Catchall abbr.
24 Shelter from the sun
25 *Little women*
26 Lavish parties
27 Shipboard "Stop!"
28 Gentlemen's girdles?
29 Ram's mate
31 Actress Clarke
32 Superman portrayer
33 Hebrew religious celebration
35 Derisive look
37 Inclination
40 City RR's
42 Cry of discovery
45 Of several kinds
48 Colleens
50 *Tie up a horse*
53 Blend of metals
54 New: Prefix
56 Wander
56 Killer whale
57 This comes almost a century after 57 Across
59 Church part
60 Box lightly
61 Long fish
62 Mild oath
65 A roller at Reno



6/25/90

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Israeli Patrol Kills 2 Attackers In 2d Sea Raid by Muslims

Compiled by Our Staff From Dispatches

TYRE, Lebanon — An Israeli patrol intercepted a seaborne raid on Israel by Lebanese Muslims and killed at least two guerrillas in a firefight, Israeli officials and Lebanese police reported Sunday.

A Sunni Muslim fundamentalist faction, Islamic Grouping, claimed responsibility for the unsuccessful raid. The group said the target was in Israel, but did not identify it.

The seaborne attack Saturday night was the second in less than a month that Israel has foiled.

The failure of the Palestine Liberation Organization to condemn the earlier raid, by the radical Palestine Liberation Front, prompted Washington to break off an 18-month dialogue with the PLO.

There were conflicting reports about the latest clash.

Israel said only one guerrilla boat was involved with two guerrillas killed. But Islamic Grouping indicated that at least two boats were involved, and the Lebanese police said three guerrillas were killed.

Lebanese police said the Israeli patrol vessel spotted two rubber dinghies with outboard motors, each carrying four guerrillas, about 10:55 P.M. Saturday as they sailed toward Israel.

The Israelis opened up with cannon and machine guns, sinking one of the dinghies and killing three of the guerrillas on board, according to the police spokesman in Tyre. The fourth man in that dinghy was reported missing.

In Israel, the army said the guerrillas aboard one speedboat fired rocket-propelled grenades and automatic weapons at the Israeli patrol boat off Ras el Bayada, a cape about three kilometers (two miles) north of the Israeli border.

The Islamic Grouping statement, issued from the southern Lebanese provincial capital, Sidon, said: "A squad of fighters clashed for more than one hour with the Israeli Navy between Ras el Bayada and Nakoura as it was on its way to occupied Palestine.

"Our fighters shelled one of the enemy's navy boats with rocket-propelled grenades and automatic weapons, causing severe damage and many casualties," it added. The Israeli statement mentioned no Israeli casualties.

The communiqué added that after the guerrilla dinghy was sunk, "the rest of the squad members returned safely to base."

Guerrillas mounted an unsuccessful seaborne raid on Israel on May 30 in which four Palestine Liberation Front fighters were killed and 12 were captured.

The refusal of the PLO chairman, Yasser Arafat, to publicly denounce the raid and discipline the leader of the group that had carried it out, Mohammed Abbas, prompted President Bush on Wednesday to suspend the U.S. dialogue with the PLO.

On Sunday, the Egyptian foreign minister, Esmat Abdel Meguid, flew to Washington in an effort to avert a crisis in U.S.-Arab relations and reassert Cairo's role as the Middle East's leading moderate.

The unannounced trip came after a telephone call from President Bush to the Egyptian president, Hosni Mubarak.

With concern mounting over the future of the Middle East peace process, the PLO called Saturday for a meeting of Arab foreign ministers at Arab League headquarters in Tunis. *(AP, AFP)*

ISRAEL: *New Settlement Plan*

(Continued from page 1)

possibility that Soviet immigrants who chose to move to the settlements would be allowed to do so. Nor did he suggest any change in government policies that now encourage the expansion of existing settlements with new housing and offer better mortgage terms to settlers in the territories than to homebuyers inside Israel.

The policy "does not mean that other people cannot settle in any place," Mr. Sharon said. "Construction will be continued, in accordance with government policy, in all parts of the land of Israel."

According to official figures, only about 300 of the more than 50,000 Soviet Jews who have arrived in Israel in the last year have moved to the occupied territories, where about 88,000 Jews now live among 1.7 million Palestinians.

Nevertheless, the prospect that Soviet immigration will strengthen Israel's hold on the lands captured in the 1967 war have prompted an intensive Arab world campaign against the migration, and caused President Mikhail S. Gorbachev to warn earlier this month that the immigration could be curtailed if Israel did not provide guarantees against such settlement.

Mr. Sharon's address to the Jewish Agency, which is responsible for transporting the new immigrants to Israel and helping to fund their reception, came at a moment when Israel's growing troubles in providing for the new arrivals were provoking concern that the immigration wave may soon slack of its own accord.

The arrival of immigrants at a pace of around 10,000 a month has begun to produce a housing crisis around the country and worsened the problem of unemployment, which stands at over 9 percent. In recent days, homeless Israelis have set up tents outside the parliament in Jerusalem and government offices in other cities to protest soaring rents that they say have driven them out of their homes.

Mr. Sharon said that only about 20,000 empty apartments remained in Israel, while demand for housing would be such that 7,000 new apartments per month would be needed by December. He said the government, which has been slow to stimulate new housing construction so far, would renovate 5,000 empty apartments and import 40,000 prefabricated houses to cover the gap.

Mr. Sharon, the leader of the hard-line wing of the ruling Likud party, said the government had not changed its "strategic view" of the need to settle the occupied territories, but felt that it needed to smooth over the country's deep political differences about settlement so that it could unite around the task of absorbing the immigration wave.

NUCLEAR: *Soviets Stymied Bloc*

(Continued from page 1)

'Are you a friend of the Soviet Union?' " a scientist said.

To work at the potentially most dangerous industrial plant in operation, another physicist said, "being a loyal member of the Communist Party was more important than technical competence."

Although they were speaking of the past, several scientists said their plants still depend on Moscow for information and services.

Soviet supervisors continue to work at the plants; by contract, only they can authorize important changes. Moscow still provides the plants with nuclear fuel, collects spent fuel and stores it and other highly radioactive waste back home.

The criticism of Moscow comes as alarm has grown in the West about the safety of more than half of the Soviet-designed atomic energy plants in Eastern Europe. They are the first generation of pressurized water reactors, which are based on a principle different from the Soviet Union's ill-fated Chernobyl plant. But analysts said they were comparable to Chernobyl-type plants for poor workmanship and management.

A multimillion-dollar safety study of the East German reactors has been ordered and financed by Bonn, but West German officials have said that East Germany is almost certain to close all five of its nuclear reactors, four at Greifswald and one at Rheinsberg.

The reactors' safety standards are likely to be unacceptable under West German regulations, which will apply after July 1, when the two Germanys unite economically.

In contrast to the past, government officials in Bonn noted, Soviet specialists have cooperated with the West German experts in preparing the Greifswald study. Until this year, they said, East Germany's nuclear plants had been all but hermetically sealed. West German suppliers of components said they were never allowed onto the sites; international inspection teams, invited to Soviet-made plants elsewhere in the late 1980s, were also kept out.

Greifswald experts now training in West Germany say they were sometimes treated as unwelcome snoopers by their Soviet supervisors. To operate a reactor safely, one needs computer codes, a specialist said, but Moscow regarded those as secret. When the East Germans requested data to calculate certain actions of the system or to judge material fatigue, Moscow might give a limited answer or none at all, the experts said.

"A Western utility would not accept it if a builder would not provide such essential data," said a West German expert on reactor safety. "And to improve an old plant, you need almost 100 percent of the knowledge."

In Czechoslovakia, plant operators have also complained about lack of information, shoddy components and secrecy.

De Maizière Condemns Clash That Injured 28

Reuters

BERLIN — Prime Minister Lothar de Maizière appealed for calm on Sunday after some of the worst street violence in East Germany since a peaceful revolution overthrew the country's Stalinist rulers last year.

Condemning anti-fascist demonstrators who hurled stones and firebombs outside the East Berlin headquarters of the extreme-right National Alternative movement on Saturday, Mr. de Maizière said in a statement:

"The basis of democracy in our country was peaceful protest by the people. It must stay that way."

Police used tear gas, water cannon and clubs to disperse about 400 rioters, some armed with iron bars and flare guns, who set fire to several police cars, beat up a passer-by and wrecked a hot-dog stand.

Seven protesters and 21 policemen were injured.

East German authorities fear an outbreak of gang warfare among neo-Nazi skinheads, punks and anarchists as economic conditions in the East deteriorate.

The demonstration began peacefully when up to 4,000 leftists and anarchists from East and West Berlin marched through an East Berlin suburb behind a giant banner proclaiming, "No place for fascists in Lichtenberg or elsewhere."

The rightist movement, which has occupied several houses in the Lichtenberg district, was barred from the local elections in May after the electoral commission charged it with "spreading fascist and racist ideology."

■ Kohl Plans Moscow Visit

Chancellor Helmut Kohl of West Germany will visit Moscow at the end of July to try to persuade President Mikhail S. Gorbachev to drop his objections to a united Germany being in NATO, the news magazine Der Spiegel said.

The report said Mr. Kohl would offer generous Western aid for the Soviet economy, Reuters reported from Bonn.

Soviet Airline Is Hit by 2d Hijack in Week

Reuters

HELSINKI — A Soviet hijacker surrendered to police Sunday and asked for asylum after forcing an Aeroflot jet on a domestic flight to land in Helsinki. It was the second time in six days that a Soviet airliner had been hijacked to Finland.

Police said the hijacker, a Russian aged about 21, was in custody. Tass named him as M. Varfolomeyev. Soviet authorities have asked for the hijacker to be returned.

The Tu-134 was on an internal flight from the Estonian capital, Tallinn, to Lvov in the Ukraine with 72 passengers and a crew of six.

Within minutes of takeoff from Tallinn, which is just 80 kilometers (50 miles) from Helsinki, the hijacker took over the plane after saying he had a bomb.

A passenger said the hijacker, who was sitting next to him, took a briefcase to the lavatory soon after takeoff.

He returned, spoke to a hostess and told everyone to stay seated and obey his orders.

Moldavians Embrace in Symbolic Unity

Reuters

ALBITA, Romania — Several thousand Romanians and Soviet Moldavians milled back and forth across a frontier bridge Sunday to underline hopes for closer contacts after half a century of division.

The demonstration of unity came a day after Moldavia joined other Soviet republics in proclaiming sovereignty over its land and resources and declaring its constitution would take precedence over Soviet law.

Some had traveled hundreds of miles from remote corners of Romania and the Soviet republic of Moldavia to mark the 50th anniversary of the day that the former Romanian territories of Bessarabia and Bukovina were incorporated into the Soviet Union under an agreement with the Nazi government of Germany.

People on both sides of the border have pressed for more open frontiers since the collapse of hard-line Communist rule in Romania last December.

In a relaxed atmosphere, the crowd at the frontier sang national songs and waved placards with the names of relatives living on the other side of the border. Many carried picnic bags full of food and gifts for their relatives.

They held banners bearing the red, yellow and blue of the Romanian flag and the similar Moldavian banner with a bull's head at its center.

The symbolic highlight of the day came when a group of Moldavians from the Soviet side marched up the bridge to form a human chain along a red line marking the frontier.

Several hundred Romanians made it across the bridge to the Soviet side, at first meeting no opposition from the guards, who waited for some time before beginning to usher them back.

A burly Soviet border guard urged the crowd to get back, but he ended up hugging a tiny grandmother who pleaded with him to let her pass.

Lines of smiling young soldiers linked arms across the bridge over the river Prut, nicknamed the "accursed river" by Moldavians who are divided by it, as the crowd surged forward.

Soviet Moldavia and the Romanian province of Moldavia are bound by ethnic, linguistic and cultural similarities, having once formed part of greater Romania.

Stefan Pinteanu, president of the Romanian Popular Front, said his followers sought cultural and spiritual union with those across the border and for now were not seeking political union.

Ion Khadirca, vice president of the parliament of Soviet Moldavia, said the new parliament in Romania still had to work out its policies, including relations with the Soviet Union, and this would have a bearing on relations with Moldavia.

GORBACHEV: *Fear of Split*

(Continued from page 1)

ence by party officials in the operations of the government and economy.

The focal point of the fractious opposition is Mr. Yeltsin, a problematic, sometimes unpredictable politician, but a man with solid public support and an extraordinary talent for sensing the public mood.

In his first weeks as Russian federation president, Mr. Yeltsin has confounded his critics by handling the job with great skill.

He has united his divided parliament behind a declaration of Russian sovereignty, forged working alliances with the new democratic leaders in cities like Leningrad, made a sober and powerful television appeal for a period of public patience, and even shared his aura this week with his sometime rival, Mr. Gorbachev.

Mr. Yeltsin has left open the question of whether he will depart from the Communist Party along with other members of the Democratic Platform, or remain within and continue to behave in his customary independent style.

Without Mr. Yeltsin, the opposition will have trouble organizing as a formidable new party.

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OPINION

Safety and Warheads

Even as the threat of nuclear war ebbs, the risk of accidents and unauthorized launches deserves constant attention. American nuclear weapons are extremely safe but still not safe enough. The air force, for example, has now been ordered to remove hundreds of short-range nuclear attack missiles from its bombers until doubts about their safety are put to rest.

Such problems may be even worse in the Soviet Union, given civil unrest and the record of accidents in Soviet military systems like nuclear-powered submarines. The Soviet Union is now said to have evacuated *nuclear weapons from less stable regions* like Azerbaijan. Existing safeguards on each side can be further tightened.

Nuclear weapons are so terrifying that their possessors, not surprisingly, have put much thought into safety. At the technical level, the weapons are designed so they will not go nuclear if accidentally dropped or exposed to fire or tampering. To prevent unauthorized and accidental use there are "permissive action links," which operate a remote-controlled lock in a nuclear weapon's arming circuits. Thus the possessor of a weapon cannot control it until it is unlocked by central authority.

Because of these safeguards the thousands of warheads in the U.S. arsenal have been maintained for 40 years without a nuclear detonation, despite many accidents, *a few of them hair-raising. But there is still room for improvement.*

Recent computer simulations have shown that some weapons may violate the one-point safety standard, a precaution that concerns the conventional explosive that compresses the nuclear core to critical mass. The standard requires that if the conventional explosive is ignited at just one point, the bomb will merely fizzle.

Among the suspect weapons are the attack missiles recently withdrawn by the air force, certain artillery shells and the W-88 warheads on the Trident submarines' new D-5 missiles. A recent account in The Washington Post notes that these warheads use an older type of conventional explosive. Energy Secretary James Watkins has been quoted as saying that he "won't feel comfortable" until the whole stockpile is converted to a newer type, called insensitive high explosive.

If the American arsenal has problems, the Soviet Union's probably does, too. Bruce Blair of the Brookings Institution has heard reports of an armed missile launched by accident during routine maintenance; it landed near its launch point, perhaps because it lacked a navigational package telling it where to go. Mr. Blair believes the Soviet Union has installed permissive action links on all its modern land-based missiles but not on its sea-based force. U.S. naval weapons also lack these links.

Washington and Moscow could probably gain from a discussion of each other's safeguards. But these are an integral part of the system for commanding nuclear forces, a tightly guarded national secret. The United States has no desire to see a nuclear accident on Soviet soil, let alone a false alert of Soviet forces. Yet should it teach the Soviet Union how to make its weapons more manageable *and put its forces safely on alert?*

Each side has a duty to maintain the technical safety of its own arsenal. Switching the American nuclear arsenal to the safer new conventional explosive would help. So would exploring with the Soviet Union ways to work together to reduce the risk of accidents and unauthorized use.

— THE NEW YORK TIMES.

Mandela in America

America's adulation follows Nelson Mandela everywhere. Ticker tape, created for the occasion; shouts of joy; TV talkathons, a crunch of celebrities and an effusion of politicians — such is the affectionate ordeal that he is expected to endure. This is an undoubted tribute to Mr. Mandela's unfailing grace under exhausting pressure. But the warmth of his welcome says something about America as well as South Africa. Call it the power of positive heroism.

For black Americans, this hero has a special meaning. His struggle against apartheid has its parallel in their campaign for civil rights that ended the legal basis for racial segregation. He speaks in accents that recall the memory of Martin Luther King Jr. and the militancy of Malcolm X. Whatever else divides African-Americans, they can rally around Mr. Mandela. And though he holds no office, the rush of change augured by his release and his statesmanship with presidents and prime ministers puts black concerns high on the world agenda.

Yet white America, too, if sometimes with misgivings, is plainly drawn to this forceful and cogent figure. Conscience plays a part. Years of argument over sanctions and disinvestment have exposed the moral horror of apartheid. So have white South Africans like Alan Paton, Nadine Gordimer and Athol Fugard. Through Mr. Mandela, the system's black victims have found their own voice.

He is least persuasive in explaining his tributes to Yasser Arafat's Palestine Liberation Organization, Libya and Cuba. What matters most is their past support for his cause, he argues, and it is not his role to judge their human rights record. If Americans took that attitude to South Africa there would be no sanctions. But those who reject Mr. Mandela's view as amoral need to recall that beleaguered Israel, too, has felt that survival justified selling arms to South Africa, Iran and Ethiopia, all abusers of human rights.

Mr. Mandela is at his positive best in joining his cause with America's. What most moved him about his reception, he said in New York, was that it showed a commitment by an entire people to basic human rights. He praises Americans for supporting free elections in Eastern Europe and in Nicaragua; his anti-apartheid movement seeks the same future for South Africa: a nonracial democracy based on consent of the governed.

Yet what finally brings audiences to their feet and tears to their eyes is his triumph over an evil system. Even after 27 years in prison, he speaks without venom about the people who banned his movement, convicted him of treason, defamed him as a terrorist and forbade even the mention of his name. It was surely this quality that impelled President Frederick W. de Klerk to risk outrage on his right by freeing Mr. Mandela.

There will be time to consider how these leaders can find common ground and what the United States can do to help. What this past week showed is that this man's fortitude may yet bring racial barricades down peaceably, something few dared hope while he was in jail. Americans may lack heroes; in Mr. Mandela they have found a real one.

— THE NEW YORK TIMES.

The Savings Paradox

Americans are used to being told that they save too little for their own good. Throughout the 1980s the national response has been to shrug and assume that the country can always borrow other people's savings from abroad. But with large opportunities for investment opening up in Eastern Europe and parts of the Third World, the competition for that money is going to be fierce. America's inability to generate enough savings to meet its own investment needs is putting it at a disadvantage.

One explanation for the drop in savings in most of these countries has been the explosion of government deficits in the 1970s. For governments, as for individuals, a deficit is subtracted from savings. The U.S. budget struggle has its counterparts abroad.

But the effect in the United States is particularly severe because Americans' private savings are also low by international standards. The reasons for low personal savings, and for the drop since the 1960s, have to do with the growing sense of personal security. People in the advanced countries are richer than they were two decades ago, and their social insurance is greatly improved.

That leaves governments, especially the U.S. government, with a paradox. They have used economic growth to improve their citizens' sense of well-being, which makes those citizens less inclined to save their money, which in turn threatens future growth. There is a way out, at least in theory. If individuals will not save to provide the capital for higher productivity, then the government will have to do it. Instead of deficits, governments will have to run surpluses. The need for surpluses is greatest in the United States, where savings are lowest. U.S. competitiveness depends on it. But in Washington the idea of a federal surplus is still regarded as too strange and terrifying to be discussed in public.

— THE WASHINGTON POST.

Snagging Furry Trout

Somewhere in China lives something with a human's face, a primate's shaggy coat and a penchant for weaving bamboo. It is said to have lived there 2,500 years but never within distance of a hunter or, in recent times, a photographer. The closest anyone has got to the "wildman," it was reported last week, is the 12 or so hairs snagged on bushes and scanned by electron microscopes. They're not quite like other primate hairs, Chinese scientists say, so maybe, just maybe . . .

More likely the wildman is cousin to the Himalayan yeti and North American sasquatch, the fabulous hominids that for centuries have left people chattering about gigantic footprints and shy, fleeing figures. In a world of countless creatures, it is only human to invent more. If it weren't, a unicorn's horn wouldn't be on display in a show called "Fake? The Art of Deception" at the British Museum. Near the horn is a griffin's claw and two eerily convincing mermen, made by adding fishtails to mummified monkeys. Not so convincing is the fur-bearing trout.

When those mermen were made, probably about 200 years ago, there was far more reason to believe the world held wonders yet unseen. Since then we have flown all around it, tramped over much of it and destroyed a fair amount of it. No matter. We still believe in wonders. For when we conjure up marvels — unicorns and sasquatches, mermen and ape men — we get to share in the Creation.

— THE NEW YORK TIMES.

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By GABLE in The Globe and Mail (Toronto).
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Nuclear Arms: No Time to Drop the Reins

By Flora Lewis

GENEVA — The assumption that the U.S.-Soviet arms race has ended, and with it the *risk of global nuclear holocaust, has spread much* faster than the facts. Some troubling new issues are coming to the fore as countries contemplate the role of nuclear weapons in a world not dominated by East-West confrontation.

There was a striking example here after the chief U.S. and Soviet negotiators on strategic arms reduction spoke to a meeting on the future of the Nuclear Nonproliferation Treaty.

The Groupe de Bellerive, headed by Prince Sadruddin Aga Khan, was meeting to look ahead to a review conference on the treaty scheduled this summer, and to the 1995 deadline for renewing and amending the treaty, or letting it lapse.

The U.S. negotiator, Richard Burt, and his Soviet counterpart, Yuri Nazarkin, noted important differences they still had to settle. But they were clearly in the same boat, allies against critics from all over, including U.S. and British activists.

Some of the anti-nuclear militants now share the problem of cold warriors, furiously insisting that nothing has really changed so they don't have to reconsider their crusades. The bigger difficulty comes from other parts of the world that have yet to undergo a sea change on the ideas of war and what constitutes security.

There is a certain apple-pie stamp of goodness on the Nonproliferation Treaty, but it is fading. True, there are not nearly as many more nuclear powers as was fearfully anticipated. But as one speaker said, there are a number of "latent and blatant proliferators" who show little sign of backing away from being or becoming bomb-capable.

Although it has proved to be an economic dud for energy supply, plutonium is being produced at a rate that threatens to become uncontrollable. That should be stopped. On present plans, Japan alone will have 400 tons in 30 years, twice the present holdings of the United States and the Soviet Union combined.

Some attack the Nonproliferation Treaty as a failure because even if the superpowers cut their arsenals by half, they would have three times as many warheads as when they signed the treaty in 1968 with a promise to reduce.

Others say it is a way to institutionalize military inferiority and inequality in the Third World. The status symbol of nuclear weapons still has a powerful appeal.

There is no conceivable military or security reason for South Africa to want them, given its huge arms machine.

India, which exploded a "device," says it has no intention of producing weapons, but comforts the ambition of assuring its place as regional superpower by keeping alive the possibility.

Pakistan won't renounce its effort to counter. An Israeli said even the most ardent doves in his country would not give up the last-resort option on which it counts for survival, despite threats of chemical war from Iraq.

And there is reason to think the revelation of Israel's arsenal by Mordechai Vanunu was seen as a boon by Israeli strategists. Mr. Vanunu was kidnapped from London after spilling the nuclear beans to The Sunday Times, tried and sentenced to 18 years. But the incident served to establish Israel as a nuclear power without the onus of conducting a test or admitting to being able.

Now that the big powers agree that deterrence worked between them, others are saying, why not us? It is a tough question, something like the idea of legalizing narcotics.

Nuclear weapons, like drugs, are doubtless bad for people, but if making them available reduces violence, is that worse than ineffective attempts to police them? Of course, there are some important differences.

A technical one is that it is increasingly evident that nuclear capacity has spread almost entirely by exports from advanced industrial countries, which could police themselves better.

An existential one is that not all states will be rational, the key assumption of deterrence; and a *little nuclear shippage is a vast catastrophe.*

As they reduce conventional arms, East and West may rely more on their nuclear deterrence, certainly if other countries rattle rockets. A hypothetical excuse for superiority, said an Indian. An inevitable response, said a Frenchman.

The underlying point is that making the world safer has to come from political change and recognition that wars are a net loss to all concerned. That is started in Europe; it needs to proliferate. Meanwhile, the Nuclear Nonproliferation Treaty must be kept and strengthened.

The New York Times.

The 12 Must Beware a Shaky House of Government

By René J. Foch

PARIS — A buzzword, the "democratic deficit," peppers conversations in Brussels these days when the topic is political union among the 12 European Community nations. The term is likely to come up again as the EC summit meeting in Dublin gets underway this Monday.

So far there is a striking contrast between the lively debate by the 13 American colonies on forming a single state 200 years ago and the diplomatic discretion with which 12 European states prepare for union.

The tide of integration floods strongly for Europe, driven by Germany's decision on unification. It can carry Europe far beyond the single market goals for post-1992 and into a new political dimension.

The opportunity is a historic one. But it can be missed if any one member government, because of its timidity or nationalism, fails to grasp the nettle. Confederation versus federation were nation-building concepts of the 19th century. Today they are no longer relevant. The imperatives of modern economies have reshaped the political landscape.

A quasi-federation exists in the economic field, where many decisions are taken by majority vote. But the Community remains less than a confederation in other sectors because neither foreign policy, except in the economic realm, nor defense matters are treated communally.

The 12 have standardized the size of chicken eggs but not the caliber of guns. Most governments have one executive branch and a two-chamber parliament. The Community has a single-chamber parliament and a two-tiered executive. One is the Council of Ministers, on which each country is represented by a minister, or at the highest level by the head of government. It makes the main decisions but can do so only on the basis of proposals by the European Commission.

This second body, made up of 17 members jointly appointed by the governments, is in charge of the interests of the Community as a whole. One of its main tasks is to draft the proposals upon which the council's decisions are based. Through this singular power it exercises a decisive role.

The 1992 program, now in full swing, economic and monetary union, whose first stage starts next month, and the automatic entry of East Germany into the Community are all the results of positions taken by the commission under the leadership of its president, Jacques Delors.

It is the very success of these far-reaching projects that raises the question of the "democratic deficit" in the Community. The 1992 program means the adoption of 279 European directives that will take the place of thousands of national laws. These laws were approved by democratically chosen members of national parliaments. The new European directives that supplant them are drawn up by civil servants who are not answerable to a popular electorate. This is the crux of the "democratic deficit."

The European Community is at present a halfway house of government. The European Parliament can overthrow the commission, although it has never done so. But if it disagrees with the council it cannot oust that body, nor, unlike the U.S. Congress, overturn one of its actions.

The Community has the form of a parliamentary democracy but not its substance. It is an embryonic system of the separation of powers, U.S.-style.

This ambiguity reflects two facts: all European governments are parliamentary democracies, yet to administer a continent one needs a stability not always provided by parliamentary democracy. Such ambiguity is probably necessary at this stage. Still, the commission must gain more legitimacy.

With this in mind, one should modify the system by which members of the commission are appointed. The council should choose the future president of the commission, who should then be confirmed by a vote of the European Parliament. This would give the commission democratic legitimacy it lacks.

The council should be correspondingly reinforced. Some governments would like the council to play a stronger role in the field of foreign affairs and suggest that a secretariat be created for this purpose. But this would be a sure recipe for bureaucratic squabbles with the commission and the wrong way to introduce checks and balances.

If the council wishes to reinforce its position vis-à-vis the commission, it should drop the automatic rotation of the presidency every six months. Instead it should elect a chairman for a much longer period, say four years.

These reforms are imperative if the Community is to run the single market, build economic and monetary union, develop a common foreign policy and eventually welcome new members. Such moves will not be the quantum leap to political union that will be needed to conduct a common monetary policy and common defense policy. But they would be important first steps.

The writer is a former senior official of the European Community. He contributed this comment to the International Herald Tribune.

Funny How the Democrats Ran Away

By David S. Broder

WASHINGTON — Bob Michel is not your basic boat-rocker. The House minority leader is almost a stereotype of the convivial congressman, a fellow who has pitched for the Republican congressional baseball team, golfed with such Democrats as Tip O'Neill and Dan Rostenkowski and lifts his baritone in song with anyone who wants to gather around the piano at the end of the evening.

It takes a lot to make Robert Michel mad, but this year he is on the warpath. At age 67, the man has become, of all things, a reformer.

More than a year ago, when Jim Wright was forced to resign from the speakership under ethics fire, Mr. Michel said the stain on the House's honor would be removed only if this 101st Congress became "the reform Congress."

He joined the speaker, Thomas Foley of Washington, in passing new rules that guarantee House members are paid by the public, not through interest-group speaking fees. Then Mr. Michel focused on the need for "dramatic reform of our campaign laws" and finance practices.

That was an important breakthrough. Through most of the past 15 years, House Republicans, except for an occasional maverick like John B. Anderson, had held themselves aloof from occasional Democratic drives to clean up campaign-finance laws, as most Senate Republicans continue to do.

Mr. Michel took the issue to his party's policy committee and put his own prestige on the line in arguing that the threat to the reputation and integrity of Congress was so great that something must be done. He was hammered hard by some of his fellow Republicans. In the end, he won their assent for 21 changes in campaign finance law. The package was tilted to Republican interests, but Mr. Michel brought it to Mr. Foley as a negotiating position, not a take-it-or-leave-it demand.

The two leaders agreed that negotiations should begin with Representatives Al Swift, a Washington Democrat, and Guy Vander Jagt, a Michigan Republican, as their representatives, with the understanding that when the real sticking point was reached Mr. Foley and Mr. Michel would take over themselves.

At that point, they met once, with their subordinates, but Mr. Foley never took the crucial steps that would have been required to forge a bipartisan bill. He never took the issue to his caucus or forced the Democrats to resolve their internal differences, and he never invited Mr. Michel to sit down for one-on-one negotiations.

Instead, Mr. Foley recently said that the House calendar had become "too backed up" to deal with campaign-finance legislation before the July 4 recess. He said he would try to get to it in mid-July. He would not, however, promise Mr. Michel an "open rule," which would permit the Republicans to offer each of their major suggestions separately — and force the House to debate them on their merits.

It is hard to avoid the conclusion that the House Democrats are foot-dragging. Mr. Michel said he has concluded that the Democrats don't want to change the system. "It works to their advantage," he said. "For them, the status quo is good. They're 80 votes out in front."

With political-action committees giving seven-eighths of their contributions to incumbents, who also enjoy millions of dollars in taxpayer-financed staffs, offices and communications subsidies, it is no wonder than 98 percent or more of the incumbents seeking re-election are successful.

The reforms Mr. Michel drafted would change this. They would, among other things, lower the ceiling on PAC contributions from $5,000 to $1,000, require half of a candidate's money to be raised from his own constituents, and reduce the perks that incumbents use to secure re-election.

The Democrats have delayed coming to grips with those issues. Nevertheless, Mr. Michel is still ready to negotiate. "My goal is to get something meaningful enacted into law . . . What we're spending on campaigns and the way we're raising it are unconscionable."

The Democrats seem bent on writing a partisan bill which, even if it passed, would draw a presidential veto. To add insult to injury, they are planning to muzzle Mr. Michel's ability to offer his amendments when they finally bring their bill to the floor. Bob Michel is not the only one who ought to be angry.

The Washington Post.

Their Grace Defies All The Prisons

By A. M. Rosenthal

NEW YORK — The moment Nelson Mandela walked into the room at Gracie Mansion I was sure we had met before, and as he talked the feeling grew. I put it out of my head, or tried to, because the times I had been in South Africa were when the government thought it had him locked up forever.

But that kind of thing — where, when — nags at the mind until there is an answer. An hour later, riding up in the elevator back at the office, I recalled the man Mr. Mandela had touched in my mind and why.

It was in another interview room, about 5,000 miles away, in a Soviet prison camp in the Urals. The man was serving 10 years for trying to escape from the Soviet Union.

When he walked into the room at the prison, he ignored the police and wardens glaring at him, looked straight at three Americans who had been allowed to visit the camp and said: "Ruslan Keteachiyev. Illegally arrested, illegally convicted, illegally detained in this prison."

Then he talked about the camp and his life in it, stood up, shook hands with the visitors as courteously as if he were the host in an embassy and walked past the furious camp commandant to his cell. This prisoner is not known to the world. He is known to almost nobody except his family and jailers. And he is 40 years younger than Mr. Mandela.

But Mr. Mandela brought him to the corner of my mind because both had that elegant carriage, and that way of talking directly to you and not to all the others in the room.

Both spoke with a mixture of calm and passion. And both conveyed a sense of certainty that one day victory would come to them and those who fought with them.

I've not thought about it until now, but most of the relatively few public figures I have met and come to admire have something in common — prison or forced exile. Jawaharlal Nehru, Andrei Sakharov, Vaclav Havel, Natan Sharansky, among them.

And I think it is impossible to meet Nelson Mandela and not feel you are talking to an admirable man.

Some of the things he says or what the African National Congress stands for are distasteful to me — including the opportunistically kind words about Fidel Castro, Yasser Arafat and Moammar Gadhafi. But those things are peripheral to the lives of Mr. Mandela and most of the people who follow him.

I suppose it should be no surprise they will take help where they can get it, for what is central to them — the political power of the black majority in South Africa.

In his visit to the United States, Mr. Mandela has shown something many leaders lack entirely — a taste and talent for civilized discourse. He listens, examines, turns things over in his mind and responds. His responses cannot be entirely different every time or divorced from his own struggle or ANC ideology. But he does not need a briefing book or a TelePrompTer, and he does not keep mouthing memorized press releases.

Mr. Mandela has not satisfied the wistful hopes of some of his white supporters abroad that he will agree to the United States' lifting sanctions. He says if anybody is to be rewarded, it should be the black movement, not the South African government. This makes sense.

Mr. Mandela seems to have come out of 27 years of prison without hate or bitterness. At Gracie Mansion, I kept thinking white South Africans are fortunate to have their former prisoner sitting across the negotiation table.

It was not prison that gave Mr. Mandela his strength of self. It would be callous sentimentality to believe unjust imprisonment ennobles anybody — not a Mandela or a Nehru, a King or a Gandhi. Or a Ruslan Keteachiyev. He is out of prison now but still cannot get out of the country.

Jawaharlal Nehru once said that during his 10 years of imprisonment he was able to accumulate a storehouse of thinking that helped him all his life. "It may not be up to date," he said. "But there is some historical perspective in it." That may have happened to Mr. Mandela, too.

But in any case, those who survive political imprisonment and emerge to lead in dignity and hope were people of strength and grace before the doors closed on them, in Africa or the Soviet Union, anywhere. That is why they go together in the mind.

Mr. Mandela did not show that he is truly remarkable for a man of 71 who was in jail for 27 years. He just showed he is a truly remarkable man.

The New York Times.

100, 75 AND 50 YEARS AGO

1890: Brazil Constitution

RIO DE JANEIRO — The new Constitution of the Brazilian Republic has been promulgated. The instrument is dated June 22. It recognizes the Federal system, and is based mainly on the lines of the United States Constitution. The President of the Federation is declared alone responsible to the nation.

1915: The Air War

LONDON — Replying to a question in the House of Commons, the Under-Secretary of State for Home Affairs stated that since the beginning of the war there have been fourteen aerial attacks upon England, principally made upon defenseless towns or villages. These attacks have resulted in 56 deaths, all of civilians.

LONDON — A German aeroplane which attempted to fly over Hazebrouck, at 4 o'clock on Wednesday morning [June 23], was driven away by the guns of the Allies. Passing over Berre, it threw a bomb, which killed a cow. About the same time bombs were dropped at Cassel, where a gasometer of an old gasworks was demolished.

1940: Clash in Rumania

BUDAPEST — Foreign military and diplomatic quarters here were informed late tonight [June 24] from Bucharest that Rumanian and Russian troops had clashed at several points along the Dniester River frontier. More than 100 planes of the Red Air Force were reported to have made reconnaissance flights over Bessarabia, the Rumanian province behind the Dniester. Bessarabia for many years was Russian territory, but after the World War, the territory voted to join Rumania. Soviet Russia never has recognized validity of the transfer. Reports have been arriving here for some time of large concentrations of Red troops, tanks and planes on the Russian-Rumanian frontier.

— From the New York edition of the New York Herald Tribune.

International Herald Tribune A Special Report Monday, June 25, 1990

Japan: The Decade's Challenges

Ruling Party's Confidence Survives Turbulent Period

By Margaret Shapiro

TOKYO — After nearly two years of scandal and turbulence, the Japanese political world has settled into a relative calm in the wake of the ruling party's unexpectedly decisive win in last February's elections to the lower house of parliament.

The victory cut short a resurgence of opposition parties, led by the Japan Socialist Party, which again seems in disarray. It also restored the confidence of the Liberal Democratic Party (LDP), which had been badly shaken by a series of sex and money scandals, the resulting resignation of two prime ministers and the loss of the upper house of the Diet in elections last summer.

While Japan has a divided legislature for the first time in postwar history, LDP leaders are no longer worried about losing control of the government as they were just six months ago.

On a policy level, that has allowed the government, for months distracted by the various political crises, to direct its attention again to resolving some major problems, including trade tensions with the United States and prickly relations with South Korea. Meanwhile, the issue that caused so much uproar before the February elections, an LDP-devised sales tax, has at least temporarily retreated to a back burner.

Politically, there is still an issue that could shake things up again: reform of Japan's money-driven and often corrupt election system. Prime Minister Toshiki Kaifu has said he would stake his political life on making major changes in the system. But it is far from clear that entrenched interests in any of the parties, even his own, will go along with revamping the system.

According to politicians and analysts, the calm of recent weeks masks maneuvering for power by those who would like to replace Mr. Kaifu when he leaves the scene. The leading candidate is former Foreign Minister Shintaro Abe. But others mentioned are former Finance Ministers Kiichi Miyazawa and Michio Watanabe. At the same time, a new, younger generation of LDP politicians, now moving into top positions in the party and government,

Continued on page 9

A Cash-on-the-Line Society

But Shoppers Like Convenience of Prepaid Cards

By Kay Itoi

TOKYO — Ayako Shiraishi, a middle-aged housewife here, bought her niece a wedding present at a Tokyo department store not long ago. She pointed to a fancy lamp, and then paused for a second to consider how she would pay for it. Mrs. Shiraishi holds three credit cards, the average for a Tokyo resident.

"I ended up paying in cash as usual," Mrs. Shiraishi said. "The lamp wasn't so expensive, and I had enough money on me. Besides, card charges take time."

This may be the cashless age, but experts agree that Japan is unlikely to advance far toward the credit-card society the United States has become. Nonetheless, as Japanese learn to consume more and save less, the nation is structuring its own way with plastic money, including credit cards, prepaid "stored value" cards and point-of-sale bank cards — all of which benefit both consumers and industry.

The card industry has expanded gradually in Japan since Diners' Club, the upmarket U.S. concern now owned by Citicorp, introduced credit cards here 30 years ago. There are now 144 million of them in circulation, but having one (or more) does not mean using it: Only 3.7 percent of total Japanese purchases last year were made on credit.

For one thing, carrying cash is not a dangerous practice in Japan, because crime rates remain low. Equally, while credit cards developed in the United States partly as an alternative to payment by check, personal checks are even less commonly used than credit cards.

"There are a certain number of Japanese who simply don't believe in borrowing money," said Hiroaki Mizukami, a manager at the Japan Credit Industry Association. "We don't consider the credit card as an inescapable retailing or marketing tool in Japan."

By contrast, more than 90 percent of the Japanese own and actively use the thin and colorful prepaid cards available in Japan. Al-

Continued on page 10

The Associated Press

Prime Minister Toshiki Kaifu, installed 10 months ago as a weak interim prime minister, has defied his patrons by appealing to consumers and rural voters above the heads of the political and bureaucratic elite.

Trade Success Masks Leadership Question

Nation Seeks Framework for Change

By Patrick L. Smith

TOKYO — Japan is entering this decade of enormous promise a nation curiously adrift — influential but struggling for direction, powerful but poorly managed in many important respects.

All the important questions, posed with increasing urgency over the past half decade, continue to preoccupy the nation's bureaucrats, executives and politicians, as well as its friends and critics abroad. What has come home to Japan's 123 million citizens over the past two years of domestic confusion is that as the issues loom closer and larger, the answers too often seem distant and vague.

No other advanced nation seems to have so few tools at its disposal. Chronically weak leadership threatens needed political reforms before they are even formulated; almost all its important external relationships are in transition, but there is little creativity coming from the Foreign Ministry.

What binds these challenges together — evolving ties to its Asian neighbors, a clear sense of restlessness under the U.S.-Japan security pact and so on — is the nation's need to find a new framework through which to express itself. No one has yet attached a timetable to that project.

When Prime Minister Toshiki Kaifu takes Japan's seat at the Houston summit of industrial nations next month, it will mark a personal triumph for the 59-year-old leader. Installed 10 months ago as a weak interim prime minister, Mr. Kaifu has defied his patrons in the governing Liberal Democratic Party by appealing to consumers and rural voters above the heads of Tokyo's political and bureaucratic elite.

But what will Mr. Kaifu's presence mean? Does he symbolize the start of a new era in Japanese politics, in which old monopolies on power give way to greater democracy and more open markets? Or is he merely a simulacrum of hoped-for change that many speak of but few believe will be realized?

Mr. Kaifu has surprised those who viewed him as a *karite-kita neko*, a "borrowed cat" full of energy in its owner's domain but timid and uncertain in the house of another. But with the tough challenges still ahead, it remains unclear how effective his administration will be.

"Kaifu has set tasks for himself because without shouldering big burdens he would not survive politically," said Satsuki Eda, chairman of a small but influential opposition party, the United Social Democrats. "He could be an important transitional figure in Japan, but we have to wait and see."

The most apparent of these tasks has been to conclude talks with the United States on a comprehensive trade and economic agreement known as the Structural Impediments Initiative. In meetings in Tokyo this week, both sides expect to conclude this pact so that open disagreements can be put aside in time for the Houston summit.

Mr. Kaifu succeeded last April in hammering out a domestic consensus in time to meet the deadline for an interim report on the initiative, which seeks to rid each side of problems inhibiting balanced bilateral trade. But resistance from the Liberal Democrats, the bureaucracy and industry since then has underscored the administration's basic political weakness.

A successful agreement would be another triumph for Mr. Kaifu. At home, polls show broad popular support for the changes proposed so far. Just as important, the prime minister will have left his mark on the fundamental evolution of U.S.-Japan relations by moving the nation one step closer to the "global partnership" both sides envisage.

THE other challenge Mr. Kaifu has placed before the nation, and on which he has staked his own future, is political reform. While few analysts gave the notion much chance when it was raised amid last year's political turmoil, the prime minister has again used popular discontent with the system as it now operates to move the reform process forward.

Reforms now under consideration include redrawn constituencies to eliminate unnecessary competition among candidates, thus reducing the need for large campaign funds and making policy, not personality, the focus of election contests; a reduction in the disparity in voting power between rural and urban residents, and stricter regulations on campaign contributions.

No one can any longer credibly deny that Japan's global obligations require something more than a system that has enabled a single party to maintain its grip on power for the past three-and-a-half decades. And the reforms

Continued on page 9

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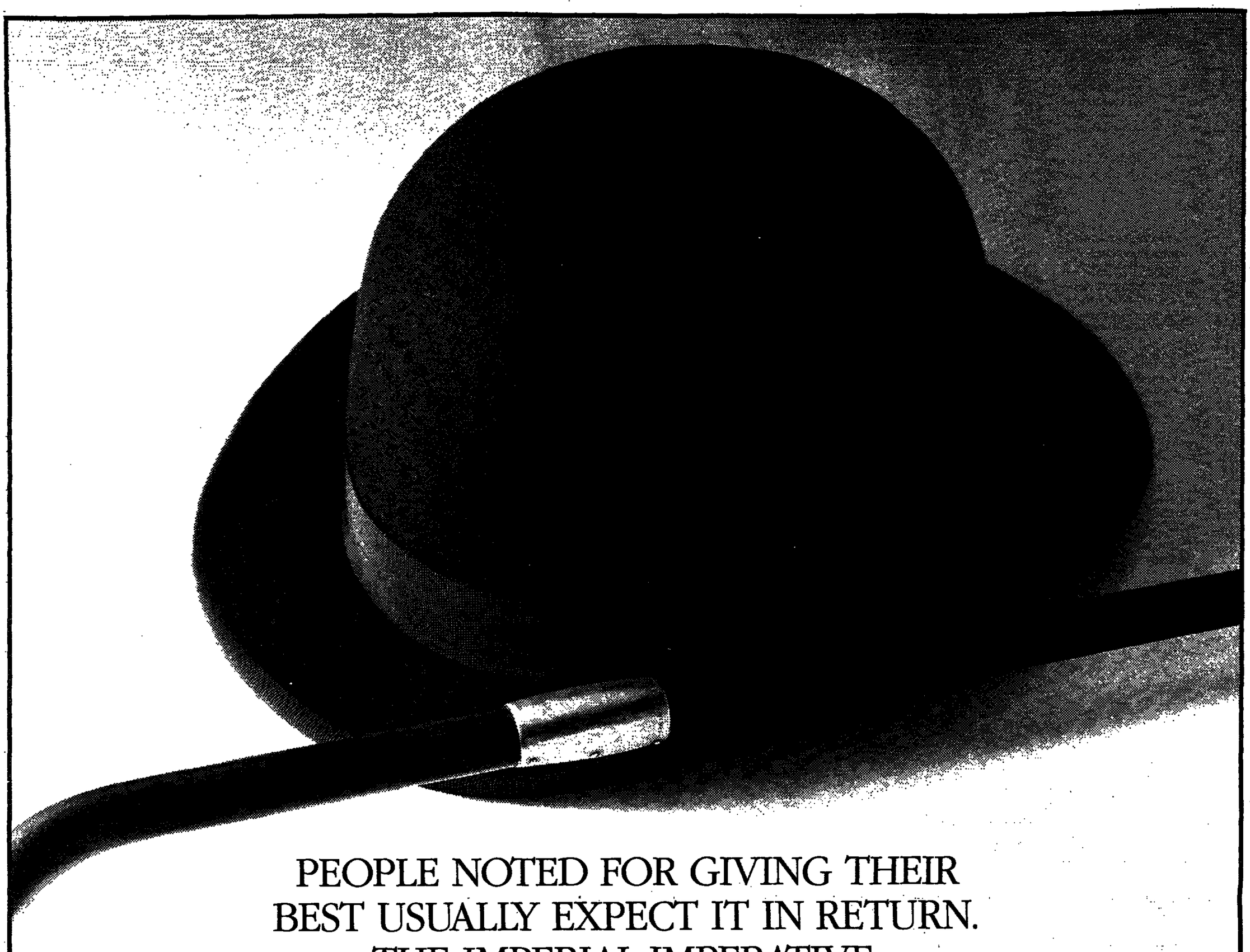

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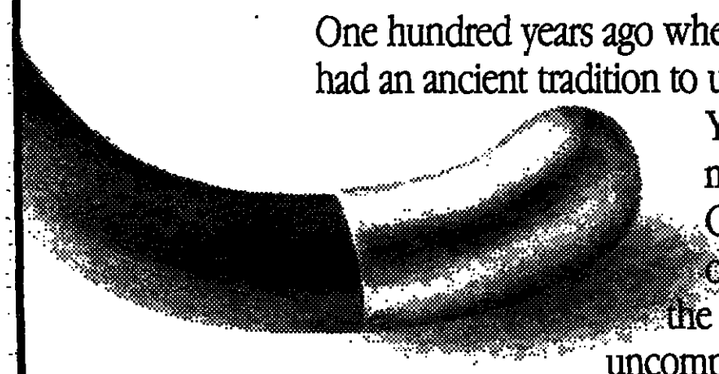

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Tensions On Trade Cool Down

But Productivity Rises, Even as Surplus Declines

By Fred Hiatt

TOKYO — While Japan enjoys a lull in trade tensions, its export machine may be generating another head of steam, leading to a new increase in Japan's surplus and more friction down the road, many economists here believe.

The Japanese government has been basking in the goodwill created by a record number of trade agreements reached this spring with the United States, highlighted by the interim agreement in talks on structural reform. At the same time, Japan's surplus with the world and even with the United States has been declining, both in dollar terms and as a percentage of its overall economy.

Officially, the Japanese government predicts the surplus will continue to decline in 1990 and is even studying whether a policy switch, aimed at maintaining an "appropriate" level of surplus, might be in order. The Economic Planning Agency said that slowing worldwide demand for Japanese products, increasing capacity of Japanese firms overseas and a continued healthy rise in domestic demand will combine to leave both the trade and current account surplus "reduced steadily" in fiscal 1990, which began April 1.

A recent survey of import contracts of 18 major trading companies showed that imports will continue to rise at least for the next several months, the Japan Trade Council reported. The trade surplus in May was 16.6 percent smaller than in the same month last year, following a 51.4 percent drop in April.

But a growing chorus of private economists is skeptical about such continued reductions, and said the smaller May drop may presage a shift in direction.

"The surplus will start picking up again in the second half of this year," said Kermit L. Schoenholtz, vice president for economics research at Salomon Brothers Asia Limited. "The momentum has turned and is rising."

Mr. Schoenholtz estimated that the current account surplus in 1990 will exceed the 1989 figure of $58 billion, which was a four-year low, and will soar past $80 billion in 1991. But he said the political implications of such a rise are "not as large as people might think," since much of the export growth will be to other parts of Asia, where Japanese companies will replace European firms distracted by opportunities within their own region.

Indeed, any predictions on the trade deficit are risky, based as they are on a series of unknowns: the evolution of political and economic change in China, Eastern Europe and the Soviet Union; the price of oil; fluctuations in exchange rates; the path of interest rates and economic growth in the United States; and the impact of Japan's unprecedented overseas investment boom of the past four years.

It also should be noted that many private economists, especially non-Japanese experts, were skeptical last year when Japanese officials predicted a substantial drop in their trade surplus. Yet the trade balance declined from $77.6 billion in 1988 to $64.3 billion in 1989, and even the most stubborn and politically explosive part of the surplus, the bilateral U.S. account, declined from $47.6 billion to just under $45 billion.

But Adrian Tschoegel, chief economist at SBCI in Tokyo, noted that much of the decline in the overall account stemmed from factors beyond Japan's control that may not carry into the future. Exports were off in part because Japan and others stopped lending money to China in the wake of its political crackdown, thereby reducing China's ability to buy Japanese goods. Imports were up in part because Japan's oil imports rose and, for a time, so did the price of oil.

More fundamentally, Mr. Tschoegel said that import levels soared as Japan's economy adjusted during the past four years to the rapid rise in the value of the yen, from about 245 to the dollar to about 150 to the dollar. That adjustment has been completed, he said. "Now we're back to imports growing with growth in domestic demand, with growth in the economy, and so on — at a regular, much slower rate."

As a result, Mr. Tschoegel predicted that Japan's surplus "will be stable, or maybe grow a bit." The rate of growth will depend on whether exports go up more rapidly than the price of oil, he said.

Some analysts had predicted that the plunge in the yen and Tokyo stock market during the first quarter of this year would slow the Japanese economy and its phenomenal rate of investment, which in turn had made the nation's industry so competitive in exports. But Mr. Schoenholtz said that "the fundamentals are hardly affected by what's going on in the market."

Japanese investment in capital plant and equipment during the boom of the past three years has been so huge — during the past two years, larger than such investment in the United States, not even adjusting for the larger U.S. economy — that Japan's productivity and competitiveness are simply continuing to rise, Mr. Schoenholtz said.

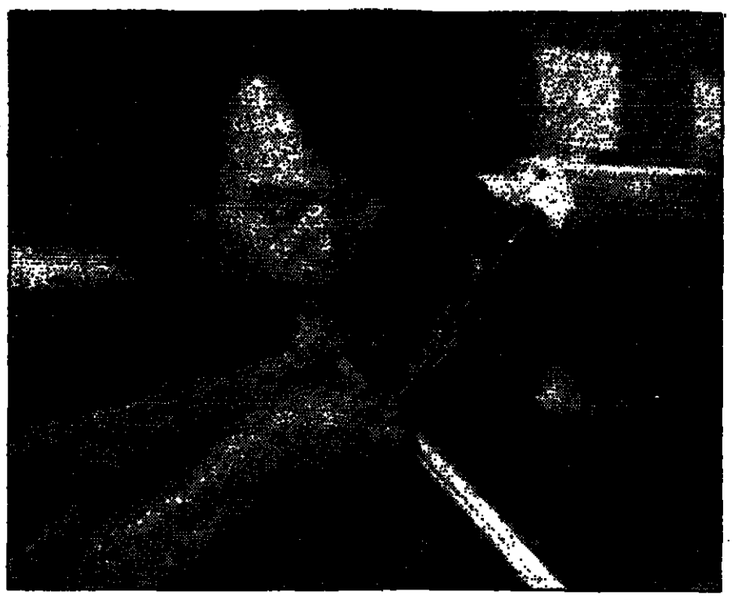
Moreover, the "replacement effect" of Japan's overseas investment also has proved to be less dramatic than some analysts had predicted. Certainly, such investment in overseas plants has been huge — $145.7 billion worldwide during a four-and-a-half-year span beginning in 1985, compared with $71.4 billion in the previous 34 years. The investment in North America during that recent span, $61.4 billion, was nearly triple Japan's investment there during the previous 34 years, according to Takafusa Nakamura, an economics professor at Ochanomizu University.

AND just as certainly, those overseas plants have begun to replace some Japanese exports. For example, the number of Japanese cars exported to the United States declined by one million between 1986 and 1989, from 3.4 million to 2.4 million, nearly matching the 1.3 million vehicles that Japanese companies produced in the United States last year.

But those numbers do not tell the whole story. While vehicle exports declined by 29 percent, the value of cars and automobile parts exported declined by less than 8 percent, from $30.3 billion to $28.0 billion, as Japanese firms shipped more expensive models and accessories to maximize their profits while responding to U.S. protectionist pressures.

At the same time, Japanese exports of the machinery needed to build cars increased. While this phenomenon will eventually subside in U.S. trade, it is likely to be an increasing factor in Japan's trade with Europe, where economic unification and anti-Japanese protectionism are now spurring increased Japanese investment.

FRED HIATT reports from Tokyo for The Washington Post.



Steve Harbison/Black Star

A worker on the assembly line of a Nissan Motor plant.

Few Clouds in Economic Picture

By Patrick L. Smith

TOKYO — Despite this year's nerve-wracking setbacks in the foreign-exchange and share markets, it is still popular to compare the Japanese economy's performance to the "Izanagi boom" of the 1960s — a period of prolonged expansion few countries have ever matched.

This autumn, Japan will enter its fifth year of continuous high growth, and all the signs are that consumer demand and capital investment will remain strong into 1991. As if to celebrate the trend, Tokyo reported this month that growth in the first three months of 1990 surged to 10.4 percent on an annualized basis, raising growth for the fiscal year ended March 31 to 5 percent, compared with an official forecast of 4.6 percent.

A slowdown, however, is evident. After growth of 5.8 percent in the 1988 calendar year and 4.8 percent in 1989, gross national product is variously forecast to expand this year in a range from 4.2 percent (Mitsui Bank, Industrial Bank of Japan) to 4.4 percent (UBS Phillips & Drew); forecasts for the fiscal year are roughly the same.

That is still more than respectable. What pain is in store will be felt next year, when GNP, the total output of goods and services, is likely to rise by 3.5 percent or so, according to most current forecasts. That will mark the first year since the current boom began in 1987 that the Japanese economy has expanded by less than its non-inflationary potential.

Stock drops and the yen's depreciation are partly to blame. But as Mitsui Bank notes in its most recent monthly review, "While these will have some effect, for example, on housing investment, overall such influences will not be major."

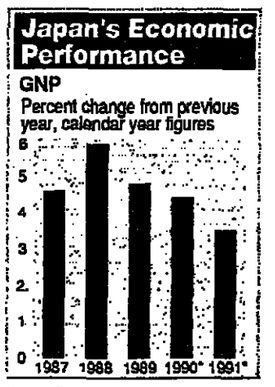
The fundamental changes are in the twin pillars of the past four years. Personal consumption, fueled by another rise in disposable income, is expected to grow by more than 4 percent this year, contributing about 2.3 percentage points to GNP expansion. But capital investment will grow more slowly, adding 2 percentage points or so, compared with 3.4 points last year.

What is the prevailing judgment? While sustained domestic consumption in Japan remains almost a political obligation, most economists count a gradual slowdown as a blessing — reducing price pressure and, eventually, lowering interest rates — as well as a liability. Since the first-quarter report earlier this month, in which exports contributed more to growth than domestic demand for the first time in six years, increasing attention is focusing on the external sector.

"That kind of growth won't help the trade-adjustment process at all, especially given the yen's weakness over the last 18 months," said Russell Jones, chief economist in Tokyo for UBS Phillips & Drew. "On a political level, this will upset a few people. But a slowdown domestically is good news on the inflation front."

As the interest-rate crisis that emerged earlier this year indicated, Japan has clearly walked the line on inflation for some time. The official discount rate, at which the central bank lends commercially, is now 5.25 percent, a four-year high. But along with the gentle growth decline, upward pressure on prices will ease, most economists believe, allowing the Bank of Japan to cut rates when it judges the time is right.

Consumer price inflation expanded from 2.3 percent in 1988 to 2.6 percent last year, just enough to set off the alarm bells for Yasushi Mieno, the Bank of Japan's governor. But that is likely to prove a peak, since prices are expected to rise by something closer to 1.5 percent next year.



The numbers on the liability side, however, are daunting. This year the current account, which includes merchandise and services trade plus some net cash transfers, is expected to drop from $57 billion to $54 billion, continuing a trend evident since the late-1980s. But in 1991, UBS predicts, it will rise to $74 billion.

Some Japanese officials, in particular Finance Minister Ryutaro Hashimoto, are taking cover by arguing that the surplus has dropped from a peak of 4.5 percent of GNP to just under 2 percent last year, a respectable ratio by international standards. Mr. Hashimoto, picking up a theme voiced in the International Monetary Fund's interim economic outlook, made public last month, also asserts that the surplus should be maintained at such a level to assure Japan's role as a global creditor.

That does not, however, reflect deep thinking at the Finance Ministry. Rather, the IMF's thesis, which more than a few economists dispute, is a convenient place to hide as political pressure from Washington mounts on Prime Minister Toshiki Kaifu.

Neither the 2-percent-is-the-limit idea nor the notion of a healthy surplus has played well among U.S. trade negotiators. If anything, Mr. Hashimoto's assertions have only reinforced Washington's view that a large and sustained rise in Japan's public-works spending is now essential.

Both notions have been engaged in the bilateral talks started last year under the heading of a Structural Impediments Initiative (SII). And both nations are determined to complete an agreement prior to the mid-July summit of advanced democracies in Houston.

Only slightly further afield, Japan's surplus with the European Community is rising rapidly. Given that Japanese corporations have now targeted Europe as a favored investment site, much as the United States was in the 1980s, trade and investment analysts expect a similar ballooning of capital-goods exports to new Japanese plants in Europe — and further deterioration in the trade balance as a consequence.

Reflecting the potential for a new storm on the trade front, there is a growing view in Tokyo that the government will eventually meet growing demands for action, especially as the surpluses begin to rise again, by announcing a stimulative package of public-works projects as a supplementary budget item.

Analysts expect pressure for such a program to produce results sometime during the fiscal year that begins next April. One constraint, they add, is the need to wait until capacity constraints and other supply-side pressures begin to ease, as they are expected to do in coming months.

Trade Success Masks Leadership Issue

Continued from page 7

now under consideration will begin the process of dismantling it.

While many Liberal Democratic legislators fear for their futures after reforms are introduced, Mr. Kaifu seems at least temporarily protected from his enemies in the party by the force of popular opinion. But it is a precariously balanced equation at best.

There are powerful arguments against optimism in both of these areas. Progress in either would help alleviate the sense of drift that now permeates the Japanese political scene.

As Mr. Kaifu is likely to indicate in Houston, how the nation fits into the changing East-West political and economic order is of ever-increasing concern in Tokyo. More than any other recent issue, this one requires Japan to advance beyond policies built solely on appearances toward one in which imagination and initiative are evident.

Not only does Japan want to be seen as an active participant in the reconstruction of Eastern Europe; more substantially, it is also fighting to avoid political and diplomatic isolation as the effects of Moscow's *perestroika*, or economic restructuring, reach into the West.

With a visit by Soviet President Mikhail S. Gorbachev some six months away, Tokyo seems to view with increasing worry its inability to resolve a long-standing territorial dispute with the Soviet Union that has blocked the modernization of its relations with Moscow. Japan does not want to emerge as the last Cold Warrior, which is the danger it now runs; nor does it feel confident about leaving the simplicities of Cold War diplomacy behind without assistance from its allies.

"The postwar political and economic order is made up of systems that are either crumbling, losing effectiveness or changing," said Takakazu Kuriyama, the deputy minister for foreign affairs. "As far as Japan is concerned, we have to work closely with the United States and European democracies in creating new ones."

PATRICK L. SMITH is the International Herald Tribune's correspondent in Tokyo.

Insiders, Outsiders and 'Globalization'

By David E. Sanger

TOKYO — Earlier this month, Nissan Motor Co. announced that, for the first time, it had appointed an American to head its giant sales and marketing arm in the United States. Never letting a chance to win points in the United States slip by, Japan's business community immediately commended the company for its far-sighted action, and hinted that Nissan's Japanese competitors would probably be forced to follow suit soon.

But their enthusiasm brings up the question of why such a much-heralded step toward "globalization," the favorite buzzword among Japan's biggest industrial powers these days, is taking so long. Most American companies decided years ago that good business and better politics dictated that their Tokyo offices must be run by Japanese. But Japan itself is still having problems putting foreign nationals in positions of authority: Only 20 percent of the American subsidiaries of Japanese companies are run by Americans. That is just one symptom of Japan's growing pains as it attempts to make its presence abroad seem distinctively un-Japanese.

Japan's resistance seems rooted

Companies still balk at giving authority to foreigners.

in two long-standing worries that its companies cannot shake off. The first is a fear of loss of control, a constant concern in the cautious, hierarchical world of Japanese business. The second is one of practicality. "Japanese managers can move to other countries, understand the language, go to weekend barbecues, and feel like they are a part of the society right away," the head of a major semiconductor maker here said. "In Japan, the presumption has always been that an outsider can never be an insider. So why try? It is usually easier to hire someone who is already an insider in Japan."

So far, Japan's efforts to change have met only mixed success. To travel through Asia these days, particularly those countries where Japan is building car plants and television-tube factories, assembling chips and managing funds, is to trip across a jumble of resentments. Most of those countries, like Thailand, welcome the money. But most are also growing short-tempered with what they perceive as Japan's tendency to hoard high value-added work at home and its reluctance to seed the rest of the world with new technologies.

"We still do not see enough advanced production technology, or full-fledged R & D," said Snoh Unakul, chairman of the Bank of Asia Ltd. and a former senior Thai official who was instrumental in bringing much of the Japanese investment to Thailand throughout the past decade. "And they need to give more chances to Thais to be board chairmen or managing directors."

When they look for a model of a fast-globalizing company, Thais often point to Toshiba, one of the few Japanese firms whose operations are run by a Thai president. Without question, the company has moved a significant amount of new production technology into its giant industrial park on the outskirts of Bangkok, and it is training hundreds of Thai workers in how to use it. But the value-added element remains fairly low.

At one plant, small television sets are made, but none of the newer and more high-technology televisions for Japan or the West. Across town, at Toyota's plant, there is not a robot in sight. Automation, the firm says, is still more expensive than Thai labor, meaning that the company is providing jobs but relatively little in new technology.

In short, Japan's labor shortage is forcing it to skim off the lowest technology, highest labor-intensive work and move it elsewhere. That is changing, but usually only in the places where politics requires it.

So far, those places are almost all in the United States and Europe. For most of the 1980s, Japanese firms operated under the assumption that the best way to relieve political pressure, particularly over imports, was to build manufacturing facilities abroad, and now it is hard to find a Japanese carmaker or a semiconductor producer without manufacturing operations, or at least a joint venture, on American or European soil. But the success of the transplants has only heightened fears that the West will become a manufacturing colony of Japan, and that product design, research, and, of course, the corporate profits will remain in Tokyo.

The test for the 1990s will be how quickly Japanese firms accede to the inevitable. Already some are moving research facilities to the United States, though it is often an act of tokenism. Honda, which is still run in the United States by Japanese, insists that it will be the example for the '90s. In time, the company's strategy calls for Honda of America to perform its own research, design its own cars and export them around the world. Its competitors doubt it. "No matter what they say," a senior Nissan official said recently, "the big decisions will be made in Tokyo."

Honda says the same about Nissan.

A growing number of economists, however, argue that nationality should have little to do with where the headquarters is. Robert Reich of Harvard noted in an article in Harvard Business Review earlier this year entitled "Who is Us?" that the ownership of companies is becoming less and less important every year — and whom they employ, what kind of work they do, and how they invest is becoming more and more important. "Corporations that invest in the United States, that build the value of the American work force, are more critical to our future standard of living than are American-owned corporations investing abroad," he concluded.

Such arguments will only win the day when firms operating in America make it clear that they are working toward American national goals, not just becoming a source of employment. What Japan must cope with in the 1990s is a new era of responsibility, in which it will be called upon to help rebuild industrial talents that the United States fears it is losing, and create new talents, and new technologies, in developing nations that previously have been regarded only as sources of cheap labor. If the Japanese fail, or do so grudgingly, resentments will build. If they succeed, Japan will have truly gone global for the first time in its isolated history.

DAVID E. SANGER reports from Tokyo for The New York Times.

Party's Confidence Survives Turbulence

Continued from page 7

have begun jockeying for power. They include the party's secretary-general, Ichiro Ozawa, and Finance Minister Ryutaro Hashimoto.

Despite the machinations, few expect any change in the prime minister's post any time soon. Mr. Kaifu, while weak within his own party, since he comes from a minor faction of it, has achieved unexpectedly high popularity in recent public opinion polls. Once considered to be little more than a stopgap leader, appointed by party power brokers only because more senior candidates had all been tainted by scandal, he is now widely expected to last at least through this fall and probably longer.

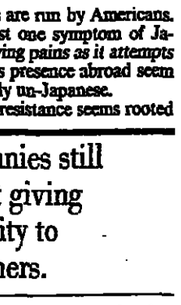
In a recent poll by Japan's Kyodo news agency, Mr. Kaifu recorded the highest popularity of any prime minister since Kyodo began polling 26 years ago. Analysts said that people responded positively to Mr. Kaifu's clean image, his relative youth (he is 59), and his ability to resolve tensions with the United States.

Mr. Kaifu also continues to have the strong backing of former Prime Minister Noboru Takeshita. Mr. Takeshita was forced to resign about a year ago because of his involvement in the Recruit influence-peddling and stock scandal but he continues to wield wide power in the LDP and government.

"Mr. Kaifu is extraordinarily weak and that leaves Takeshita as the next strongest," said Kenneth S. Courtis, and economist at DB Capital Markets (Asia) Ltd. "For the moment, Takeshita cannot become prime minister so his best solution is to have as prime minister a man who has to depend on him."

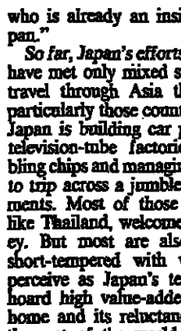
In addition, a change at the prime minister's mansion could start a potentially divisive battle for power within Mr. Takeshita's own faction of the LDP, which now is the party's richest and most powerful. Shin Kanemaru, titular head of the faction, does not always agree with Mr. Takeshita's decisions, according to insiders. And the rising younger generation, Mr. Ozawa and Mr. Hashimoto, are said to be bitter adversaries.

"Everyone [in the Takeshita grouping] appreciates the value of coming from the largest faction," said Takayoshi Miyagawa, a political consultant. "That argues in favor of having Kaifu continue."



Reuters

Kiichi Miyazawa



Reuters

Shintaro Abe

EVEN Mr. Abe, the strongest contender among the old leaders for the prime minister's post, has recognized that Mr. Kaifu's public popularity and Mr. Takeshita's continuing support has derailed any immediate effort to get the job, supporters of Mr. Abe said.

"Kaifu will certainly stay until the end of the year," said Cornelia Meyer, an aide to Yoshiro Mori, an Abe faction Diet member. "Then it will depend on how Abe plays his cards." Mr. Abe is in uncertain health, having been hospitalized on several occasions in the last year.

Mr. Miyagawa said another factor working in favor of the status quo is that Emperor Akihito will be officially enthroned in November, an event that is certain to draw many heads of states. "Until then there's a real cease-fire," he said. "To cause any chaotic situation is something the Japanese would not do."

The reform package, spawned by the recent influence-peddling scandals, was designed to diminish the role of big money in campaigns and make campaigns more issue-oriented. The main recommendation, made by an independent commission, is that Japan abandon multi-candidate districts now used in the lower house, in which candidates are able to distinguish themselves only by spending money, in favor of a system of single-seat and at-large districts. The reforms would potentially reduce the influence of party factions and their leaders, who provide a lot of election money, and of special interest groups that bankroll these leaders and the parties.

Analyses of the reforms suggest that they could also potentially bring about a real two-party system in Japan for the first time by weeding out many of the smaller opposition parties and strengthening the Socialists.

Mr. Kaifu has said he would like to get the reform package through the Diet by November, when the legislature will celebrate the 100th anniversary of its establishment. While the idea is popular with the public, the reaction by LDP power brokers and opposition party leaders, who fear they will be locked out by any redistricting, has been lukewarm at best.

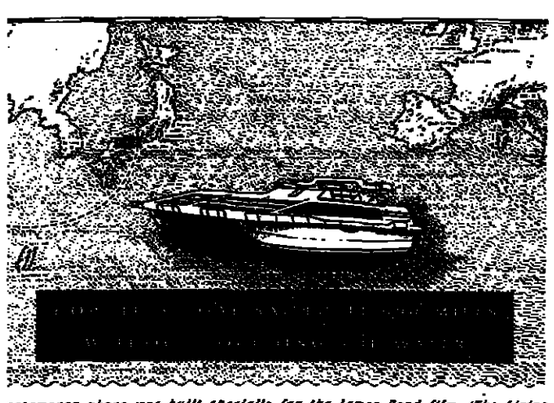
MARGARET SHAPIRO reports from Tokyo for The Washington Post.

TODAY'S BUSINESS FINDING:

Those with a yen for business stay with us in Shinjuku.

THE HYATT TOUCH

CENTURY HYATT TOKYO



The catamaran above was built specially for the James Bond film, 'The Living Daylights.' Though destined for short, spectacular voyages it was later sold to a Japanese businessman and sailed 11,000 miles from Genoa in Italy to Kobe, Japan.

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SII Trade Talks Widen Scope for Foreign Investors

By Tom Koppel and Sumire Sugimoto

TOKYO — Japan's investments overseas have received enormous attention over the past year, particularly those involving "trophy" properties ranging from the Rockefeller Center in New York to Hollywood's Columbia Pictures.

But the reverse trend, although with less fanfare, is also becoming increasingly apparent: investment by American and other foreign firms in Japan.

According to a Ministry of International Trade and Industry (MITI) report issued in July 1989, direct foreign investment in Japan in fiscal year 1988 (the most recent year for which figures are available) increased more than 46 percent over the previous year totaling a record $3.2 billion. Japan's largest foreign investor, the United States, spent more than half of that, $1.8 billion, up almost 90 percent from the year before.

While important, these sums remain a fraction of Japanese corporate commitments in the United States and elsewhere. Increasingly, the question being raised by executives is how quickly that will change so that Japan has the same scale of foreign investment on its shores.

One key factor in the process has been the Structural Impediments Initiative (SII) talks between the United States and Japan. The yearlong trade talks have been an important influence on investment by pressuring Japan's strong economy to open up. Japan's economy is growing at an estimated 4 percent a year, double that of the United States. However, Japanese and American observers caution against expecting direct, immediate investment benefits.

"The outcome of SII will have a profound impact on the Japanese [market], but whether we'll see it overnight is a different matter," said Akio Mikuni, the head of Mikuni and Co., a credit ratings firm.

U.S. officials say SII has made Japan an easier place to do business by cutting Japan's bureaucracy and making its distribution system less complicated and less costly.

"There won't be a deluge, there won't be a trickle," according to one U.S. official, who characterized American business interest in Japan as "steady" and growing. "SII is not a revolution, it simply accelerates trends that are already existing."

Meanwhile, industry analysts have been stunned by the Posts and Telecommunications Ministry's decision to choose a digital cellular-phone system designed by the U.S. firm Motorola Inc. as the national standard for the next generation of cellular-phone networks. The system beat out one other foreign and six domestic competitors. And at the beginning of the month, the Japan Federation of Construction Contractors eased restrictions on its special memberships for U.S. construction firms.

Probably one of the most important benefits of the SII talks for investment has been the revision of Japan's Large-Scale Retail Stores Law, which was designed to prevent the country's numerous small "mom-and-pop" stores from being forced out of business by larger, more efficient retailers.

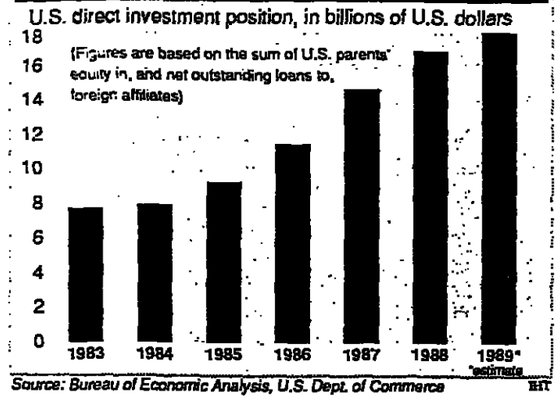
The first to profit may be the major U.S. discount toy store chain, Toys 'R' Us. The company had been told it would take up to 10 years to negotiate the opening of its first huge outlet in Japan. Under the revised law, local merchants will have only 18 months to work out compensation from large retailers building near them.

"Those who have succeeded in penetrating the Japanese market will not say so," says Hidehiko Nishiyama of MITI's International Policy Bureau. "The voices that claim there are problems are much louder."

TOM KOPPEL and SUMIRE SUGIMOTO are free-lance journalists based in Tokyo.

The U.S.: Japan's Largest Foreign Investor

U.S. direct investment position, in billions of U.S. dollars



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce IHT

Fancy Ratings Buck Stocks Slide

By Richard C. Hanson

TOKYO — Whenever Tokyo suffers one of its fairly frequent earth tremors, anxiety rises about the now overdue major earthquake. Likewise, when the stock market and the yen started shaking earlier this year, there were fears that the long-predicted quake in stock and land values had arrived. But it turned out to be just another tremor.

If there is going to be a dramatic end to so-called "asset inflation" in Japan, which seems unlikely, this was not it. As Lawrence S. Prager, chief analyst and strategist at Nikko Securities in Tokyo, notes, "We were not seeing a major shakeout in asset values." It was just another correction, albeit a sharp one.

In fact, the tremor-prone Tokyo share market has fallen by more than 12 percent on no fewer than 17 occasions since 1949. This time there was a very specific linkage between the 30 percent drop in the Nikkei-225 Average from February to April and the roughly 10 percent fall the yen took against the U.S. dollar and the Deutsche mark during this period.

What triggered the market fall was the decision by foreign investors last autumn to begin dumping Japanese government bonds in favor of U.S. dollar instruments and West German bonds. With both the U.S. and the German currencies underpinned at that time by the prospect of firm or rising interest rates, the yen was badly in need of support.

Unfortunately, the Ministry of Finance, now headed by Ryutaro Hashimoto, and the Bank of Japan, the central bank, were seen to be deadlocked over whether inflation or recession was the greater risk. So, as far as the market was concerned, the yen got too little support too late from fairly modest official discount rate hikes. Japanese bond yield continued rising and the yield gap with equities became just too great.

Foreign investors began dumping Japanese equities in January and selling reached a crescendo by March. When the stock market turned upward again, toward the end of April, it was because the yen had started a strong comeback, supported by attractive real yields on Japanese bonds, renewed doubts about the dollar and perceptions that German reunification could pose problems for the bond market.

THE fundamentals for the stock market had not changed — Japan's economic growth and inflation prospects had been the strongest within the Organization for Economic Cooperation and Development before the crash and they remained so after it. But once foreigners began buying Japanese bonds again, the yen started a comeback, pulling the stock market up with it.

"When the exchange rate rises, people believe that will put more downward pressure on interest rates and so stock prices rise," says Russell Jones, an economist with UBS Phillips & Drew International Ltd..

Some people believe the yen is vulnerable to further falls later this year when a new global credit squeeze starts, in which case the process could go into reverse. But even if stock prices do suffer another correction — they have now recovered half of their earlier fall — it is unlikely this will be any worse a tremor than previous ones.

Reuters

Ryutaro Hashimoto.

It is interesting to look at just how earthquake-resistant the structure of the Japanese stock market is — rather in the way that high land prices are underpinned by cultural as well as economic factors.

A very large proportion of Japanese stocks, something like 17 percent, is held by financial institutions — insurance companies and banks. In the main, these institutions are in for the long term. They bought shares at relatively low prices and do not need to panic when the froth blows off the top of the market.

A further 25 percent of stocks is owned by corporations — the cross-holding system. Many of these shares are used to cement business ties among the so-called *keiretsu*, or business groups, and again are held for the long term. Even at the market's recent *nadir*, the value of these holdings was still well above historic cost.

Having something over 70 percent of total shareholdings in firm institutional and corporate hands means also that the "wealth effect" of a sharp fall in stock market values, through which shareholders are supposed to cut consumption because they feel less rich, is reduced.

In any case, the wealth effect has probably been exaggerated in Japan's case. If the speculative bubble that sent Tokyo stock prices surging to near 39,000 last December (largely on the back of foreign buying) is ignored, then the Nikkei average now — at around 33,000 — is only a couple of thousand points off its 1989 average levels.

Yet another factor that helps to underpin the Tokyo stock market is the strong allegiance small shareholders have to stocks, which does not appear to have been damaged to a significant extent by the recent price falls.

Individuals began buying aggressively immediately after the Nikkei average suffered sharp drops at the end of February and as a group they emerged as the principal stock buyers during the dark days of March.

The share of individuals among total shareholdings on the Tokyo Stock Exchange fell from near 70 percent in 1949 to around 20 percent in 1989 but as a group they tend to be very active buyers and they account for around a quarter of total turnover on the exchange.

Unlike their Chinese counterparts in markets such as Taiwan's or Hong Kong's, Japanese small shareholders are not short-term speculators or gamblers and typically tend to hold on to stocks for one or two years.

AGGRESSIVE marketing of stocks among the general public by major securities houses, which was pioneered by the leading Japanese securities house Nomura as early as the last century, means that the shareholding habit is well entrenched. Something like 5 million individuals, or roughly 4 percent of the population, hold stocks today.

With these numerous supports, the Tokyo stock market looks more quake-proof than many others in Asia and beyond. There could be a small tremor in late July, however, when the Tokyo new-issue market, which has been closed since the end of March, is expected to re-open.

There are a large number of new issues waiting in the pipeline and though confidence has returned to the point where average daily turnover on the exchange is back to 1989 levels, investors' appetite for new issues may not be all that great.

The positive orgy of warrant-bond issues through which Japanese corporations have funded a great deal of their expansion in recent years was seen as a one-way bet on an ever-rising Tokyo stock market. This is why issuers were able to get them away so cheaply. (Though Japanese warrant bonds are essentially Euromarket instruments, they are bought mainly by Japanese investors).

The Tokyo market has not been hit by an earthquake but people have become a bit more nervous about the tremors. So they will demand somewhat higher risk premiums on new issues, especially warrant bonds. This means Japanese industry will have to face a somewhat higher cost of capital in the future.

The market has not lost its fancy ratings despite its recent setbacks. The average price/earnings ratio for the exchange's first-section stocks is currently just over 50 and equity yields remain derisory compared with those in other major markets. But the Tokyo market relies on perhaps more solid supports than such "fundamentals."

RICHARD C. HANSON is the editor and publisher of the Japan Financial Report, a Tokyo-based newsletter.

Card-Carrying Consumers Prefer Cash

Continued from page 7

most all of these are issued by either Nippon Telephone & Telegraph Corp. for use in public telephones, or for transportation by Japan Railway Group and the various Tokyo lines. But retailers do account for a small proportion of these unusual payment instruments.

The prepaid card is the only card system to be developed in Japan to meet the specific needs of Japanese consumers. NTT's telephone card, first made available in 1982, was a sensation when it hit the market because it caught on so quickly. By last March, more than 1 billion of them were sold.

In effect, this marked the first instance in which the Japanese realized that cards were handy. They even prompted a fashion: Five years ago everything was put into card form for a time, from cosmetics to a pocket-sized scale. Japan was a card society, if not exactly a credit society.

"Prepaid cards could extend the whole card industry in Japan," said Reiko Mitsuishi, a marketing executive at Sumitomo Business Consulting Co. "It would help remove the antipathy against any card use by 'card haters,' who account for maybe 20 percent of the Japanese."

NTT's success has brought other companies into the market. The Seven-Eleven 24-hour supermarket chain, the Skylark restaurant chain, cleaning shops, game and leisure facilities, fast-food stores, movie theaters and gas stations — all issue their own prepaid cards. Takashimaya and Mitsukoshi, Japan's leading department stores, will start selling their prepaid cards this fall.

The telephone card was a big hit, although it was originally made to save labor collecting coins from pay phones, because it was obviously convenient. And in addition to credit and prepaid cards, a point-of-sale bank card system is to be introduced later this year.

"The real problem is we don't have the infrastructure to be a cashless society," said Ms. Mitsuishi. "What we've done is give consumers choices to pay either now, later or beforehand."

The lack of infrastructure has resulted in two extremes: card haters, who are usually elderly or rural people, and young people in their 20s who recklessly spend too much on cards and in the worst cases find themselves pleading bankruptcy in court. To solve this increasingly apparent social problem, experts say, a "credit education" is quietly becoming a feature of Japanese culture.

"For the next couple of years, a lot of research will be done to seek the best way for consumers to make payments, especially for the small amounts they would have hesitated to pay with cards," said Ms. Mitsuishi. "At the same time, companies will look for ways to make better use of their cards. All this will take time and a generational change, but it is the establishment of the card society, Japanese style."

KAY ITOI is on the staff of the International Herald Tribune.

Banks Trimming Share of Global Market

PARIS — A tangible air of caution has fallen over the Japanese banking community in recent months, in sharp contrast to the confidence with which the banks raised their share of the global market in the late 1980s.

Beset by tougher competition, losses on developing-country debt, skittish securities markets at home and fewer opportunities abroad, bank managers are curbing their ambitions — and paying more attention to slumping bottom lines.

That does not mean a wholesale retreat from the international scene, which would have widespread implications for cash-hungry parts of the world. But it does indicate that the pace at which Japanese banks have burst into the global market in recent years will slow.

Bankers forecast that the 25-percent to 30-percent annual jumps in international business seen in recent years will drop to a more modest 10-percent to 15-percent rise this year.

Moreover, they say that banks will shy away from aggressive forays into high-risk leverage buyout funds and real estate development — areas where some have suffered losses already. At home and abroad, the emphasis will be on securing adequate returns on assets, rather than simply stuffing assets into portfolios at slim profit margins.

Over the past six months, Japanese banks have been hit where it hurts, in the capital adequacy ratios proposed by the Bank for International Settlements (BIS). Those guidelines require commercial banks to maintain a certain amount of capital against their loans and other investments, with heavier weightings depending on the riskiness of the asset.

When the BIS guidelines were announced three years ago, Japanese banks responded in two ways. First, they shifted the emphasis of medium-term plans toward improving returns on assets (ROA), and away from simply building up market share, recalled Yoshihiko Miyabe, deputy general manager of Yasuda Trust's international planning department.

"The question then was how to control ROA in each branch and each line of business," Mr. Miyabe said.

The other response was a mad dash to tap domestic and international capital markets to raise additional capital — about 6 trillion yen ($38.4 billion) in three years.

The infusion of cheap new capital and the seemingly endless rise in the value of their hidden assets lulled many banks into thinking that meeting the BIS targets would be easy. As recently as the end of 1989, nearly all of Japan's major banks could boast of comfortable capital margins above the BIS target.

That situation changed rapidly in the first three months of 1990.

First, a sharp drop in prices on the Tokyo Stock Exchange virtually wiped out the capital cushion that banks had counted on. At the same time, the value of bank assets began to balloon as a result of a weakening of the yen. That is because about 40 percent of a typical "city" bank's loans and investments are now foreign-currency based, the result of rapidly expanding international operations.

A drop in the yen means a jump in the valuation of foreign assets, which further squeezes capital ratios. The capital problem worsened as poor equity market conditions forced many banks to abandon plans to raise new money.

There will be some relief on the capital front soon, according to the Ministry of Finance, when banks are allowed to take subordinated loans, which get repaid with lower priority in case of bankruptcy. That will add to Tier II capital.

The banks are also being hit by the advance of deregulated time deposits in the domestic market, which raises the cost of funds and means greater competition for those funds. In addition, most banks have been forced to absorb large losses from writing off loans to debtor countries. As a result, net profits in the fiscal year to March 31 for Japan's 13 city banks fell 11.6 percent, despite a nearly 40 percent jump in revenues as they expanded assets.

"So now planners are again bringing in returns on asset controls over domestic and international business," Mr. Miyabe said. "We'll try to reduce the rate of growth in international assets."

The slowdown in growth will also be encouraged by the fact that there are fewer opportunities for Japanese banks to lend and invest.

IF Japanese banks are becoming more cautious, they are by no means becoming less formidable as international competitors. Even if Japan's huge current account surplus continues to shrink, which a recent Ministry of Finance report indicated will happen, the banks expect to remain major players

Mr. Fukushima said, "American banks think Japanese banks will be finished as international lenders if the current account surplus disappears. We don't think so.

"International activities have established a place in contributing to our profits."

The edge that most Japanese banks will continue to have is a strong credit rating.

"Our triple A rating won't disappear, because it is based on a well-diversified portfolio in Japan," Mr. Fukushima added.

Richard C. Hanson

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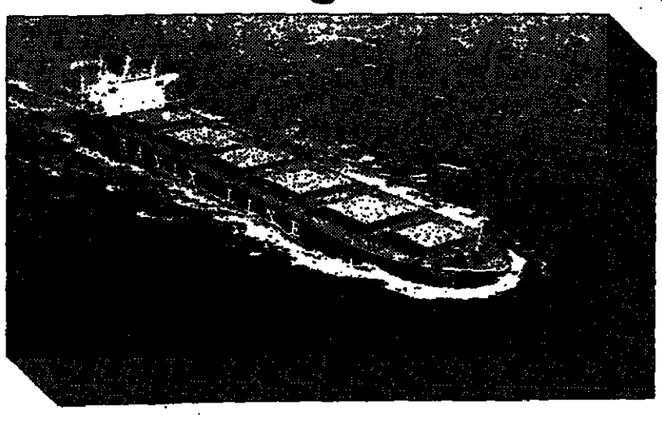

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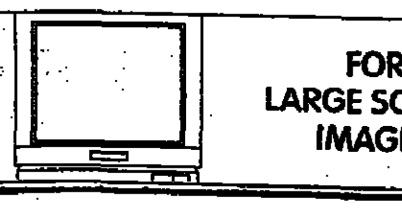
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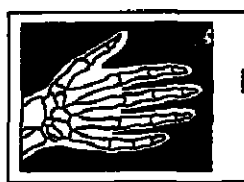
INTERNATIONAL Herald Tribune
BUSINESS / FINANCE
MONDAY, JUNE 25, 1990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EUROBONDS

Flood of Straight Issues Expected to Evaporate

By Carl Gewirtz
International Herald Tribune

PARIS — If investment bankers are right, the heavy volume of new issues in the classic straight sector of the Eurobond market last week was a last hurrah: Borrowers were trying to beat the summer slowdown and cash-laden institutional investors wanted to look fully invested for their half-year reports, which are to be published shortly.

Volume is expected to slow markedly in the coming weeks, although some big issues are expected in EuroFrench francs. Renault, for example, is set to tap the public market for 1 billion francs ($177.4 million).

LVMH Möet Hennessy-Louis Vuitton, the luxury goods maker, is reported to be considering a private placement of 2 billion to 3 billion francs of quasi-equity perpetual notes. These securities remain outstanding forever, but investors get repaid in 20 years from an offshore trust financed with the proceeds from a zero-coupon bond.

The main hope for summer activity is a reopening of the equity-linked sector.

But the market's main hope for sustaining activity over the summer is the planned reopening of the equity-linked sector, shuttered since March following the crash in Japanese stock prices. This sector is to reopen July 6 with a $300 million offering from Daikyo Oil Co. followed by at least another four issues — including Sumitomo Metal, Furukawa Electric Co. and Kao Corp. — totaling $1.2 billion.

Although the Tokyo exchange's Nikkei average declined 843.83 points, or 2.6 percent, last week and 454.89 points the previous week, bankers at Japanese securities houses expressed cautious optimism that the market for equity warrants is ripe for a resumption.

If the market decline continues, however, the reopening may be stalled. Simon Crane, a technical analyst, warned that a closing of average of below 31,600 would be a signal for further declines, possibly to as low as 29,600. On Friday, the Nikkei ended at 31,694.57.

But from where the investment bankers sit, a decline in Tokyo is a less fearsome obstacle than it used to be. The bankers stressed that the spring recovery after the early-year rout in stock prices has put to rest fears that a sharp fall in prices must translate into a collapse. Tokyo, they noted, has become like every other market, subject to ups and downs.

MARKETING OF THE NEW ISSUES will be aided by being priced less aggressively than those of the past. The exercise price for the equity warrants attached to the bonds is now expected to be around 13 percent to 15 percent over the current stock price, compared with the 20 percent to 22 percent premium that prevailed before the collapse.

Depending on Tokyo's performance and investor response to the first batch of offerings, the volume of new equity-linked issues could pick up dramatically as issuers rush to satisfy their pent-up demand for relatively low-cost capital. During all of last year, $58.6 billion was raised through Eurodollar equity warrants. So far this year, only $5.2 billion of such paper has been issued.

A reopening of the market would be good news for market professionals as underwriting fees — which investment bankers can expect to pocket as profit — are a hefty 2.25 percent. That is big money, compared with the 20 or 30 basis points (hundredths of a percentage point) underwriters can hope to earn these days on straight debt issues.

The need for profit is especially great since virtually all financial markets this year have lost their volatility. Wide price swings are the butter on traders' bread, but so far prices in the bond and, with few exceptions like the British pound and the Swiss franc, foreign exchange markets have drifted within narrow ranges.

Analysts are not expecting any change in this pattern.

One foreign exchange trader confided that "my charts say the dollar should be poised for a break-out against the Deutsche mark" climbing from the current 1.67 DM to well over the 1.72 DM cap that has prevailed this year. "The fundamentals — the U.S. budget deficit, the prospect of higher rates in Germany — say it's the Deutsche mark that should be rising against the dollar. But my stomach says 'be careful.'"

The view among bond traders is not more sanguine. Heavy new supply — in the United States to finance the widening deficit as well as the ever rising cost to bail out the failed savings and loan associations and in Germany to finance monetary unification — is expected to push up long-term rates and steepen the yield curve as short-term rates stay relatively stable.

But as demonstrated by the activity in the Eurobond market last week, investors are prepared to commit funds to new issues.

Dealers attributed this to the buildup of cash that needs to be

See EUROBONDS, Page 13

IBM Returning to the Home Computer Market

By John Markoff
New York Times Service

NEW YORK — International Business Machines Corp. is returning this week to the home computer business, offering a line of machines to the market in which it suffered its most embarrassing defeat as a computer maker.

In 1983, IBM made its first foray into the home market with the PCjr., an unsuccessful venture that ended in early 1985 after the machine flopped with consumers.

This time, IBM is taking a different approach to the problem that derailed its first effort: It is concentrating on how to enter the home market aggressively without undercutting its professional machines.

The key word this time is marketing, not technology.

Industry executives and consultants who have seen the new computers — which will cost between $1,000 and $2,000 — said IBM is not offering significant new technologies but is instead trying to establish a marketing beachhead for future products.

Analysts said the machines also would have limited expansion possibilities, minimizing the potential loss of sales from IBM's professional machines.

The company is concentrating on simplicity to attract first-time computer users. The new systems will have a simple "shell" program that makes performing basic operations, such as starting programs, less taxing.

Still, some analysts believe IBM will have trouble re-entering the home market.

"IBM in the past has demonstrated a remarkable inability to understand the home market," said Will Zachmann, a computer industry analyst at Canopus Research. "I wouldn't rule out that this is going to be a repeat of their earlier experience."

The announcement of the new line, to be called the PS/1, is to be made on Tuesday, company spokesmen said. The refused to provide details about the machines.

Industry analysts said the computer maker, based in Armonk, New York, was planning a three-pronged strategy integrating home, educational and on-line consumer services.

The new computers, built around Intel Corp.'s 80286 chip, will come with a program that permits first-time users to connect easily with a videotex service offering electronic shopping and other consumer services.

IBM executives obviously believe a number of factors have changed since the demise of the PCjr. The company hopes to gain new leverage from its Prodigy Services, a videotex service that is a joint venture with Sears, Roebuck & Co.

Prodigy spokesmen said their service reached 425,000 users this month, an increase of 225,000 since the start of 1990.

IBM and Sears have been heavily promoting the service, with analysts saying the companies are spending approximately $30 million annually on advertising.

The new IBM line may actually prove to be a stalking horse for a more powerful family of IBM products still under development. IBM executives have described a new product line they call multimedia personal computers, which will offer video and sound features not available on today's machines.

"The key thing now is merchandising," said Tim Bajarin, an analyst at Creative Strategies, a market research firm in San Jose, California. "IBM realizes that 1990 is the year of the first-time-user market."

In re-entering the home market, IBM's biggest challenge may be the competition from Tandy Corp., which has been steadily building a large base.

Tandy is planning a new line of machines to be introduced on July 25. The company said it had an advantage because its new line was the first to receive the Good Housekeeping seal of approval.

"This market will be made or broken by the moms of the world," said Ed Juge, Tandy's vice president of marketing. "If the moms don't use it, I don't think the rest of the family will either."

Discord At Talks On Trade

U.S. Wants More Japanese Outlays

Compiled by Our Staff From Dispatches

TOKYO — Japan's public works spending has become the main issue for its final round of talks this week with the United States over the trade imbalance between the countries.

Both countries agree the Japanese government should do more to improve its country's quality of life, and thus encourage imports. They differ, however, over how much more spending Tokyo should promise in the Structural Impediments Initiative talks.

The resumption of the talks marks the final stage in a yearlong process in which the two countries have effectively told each other how to run their economies. The talks has focused on ways to reduce the persistent bilateral trade imbalance of around $50 billion a year.

Some of the issues were resolved in April after the fourth round of SII talks in Washington. That report included a Japanese commitment to a substantial increase in public works spending, an issue that has since become a source of contention.

The recent discord has been over how to measure the spending. Japan wants to commit itself to a specific figure, while the United States wants the commitment to be a ratio — preferably 10 percent — of gross national product.

On Saturday, Prime Minister Toshiki Kaifu endorsed a figure of 415 trillion yen ($2.7 billion) over 10 years.

But Linn Williams, deputy U.S. trade representative, said that figure would not result in a sizable fall in Japan's surplus.

U.S. officials said Japan should spend one-tenth of its gross national product each year on public investment, instead of the current 6 percent to 7 percent.

(AFP, AP, Reuters)

Tobu Chain Seeks to Emerge From Japan's Retail Cocoon

By James Sterngold
New York Times Service

TOKYO — With a wince, Makoto Nezu, the executive vice president of Tobu Department Store Co., recalled the painful moment in late April when he heard that his company's $1.3 billion bid for Saks Fifth Avenue had fallen short.

He and his partners had been so confident of success that they were enjoying a pre-victory dinner at the 21 Club in New York.

He described the red faces of his partners, Saks' top managers, when they received a phone call with the news they had been bested by a surprising $1.5 billion bid from Investcorp, an Arab-backed group.

"There was complete silence for some time," Mr. Nezu said, a trace of disbelief still in his voice. "I was shocked."

At Tobu's main store in northern Tokyo, it is easy to understand why the news spoiled more than just a fine meal.

Next to the store is a huge hole that is expected to become Asia's largest department store when construction is completed in 1992.

Tobu had planned to include a Saks outlet within the complex, hoping to create a new marketplace for affluent buyers.

Now Tobu is left with its older clientele and the challenge of figuring out how to make the best of 1 million square feet (929,000 square meters) of space.

Tobu had sales of 190 billion yen ($1.23 billion) at its three Tokyo stores last year.

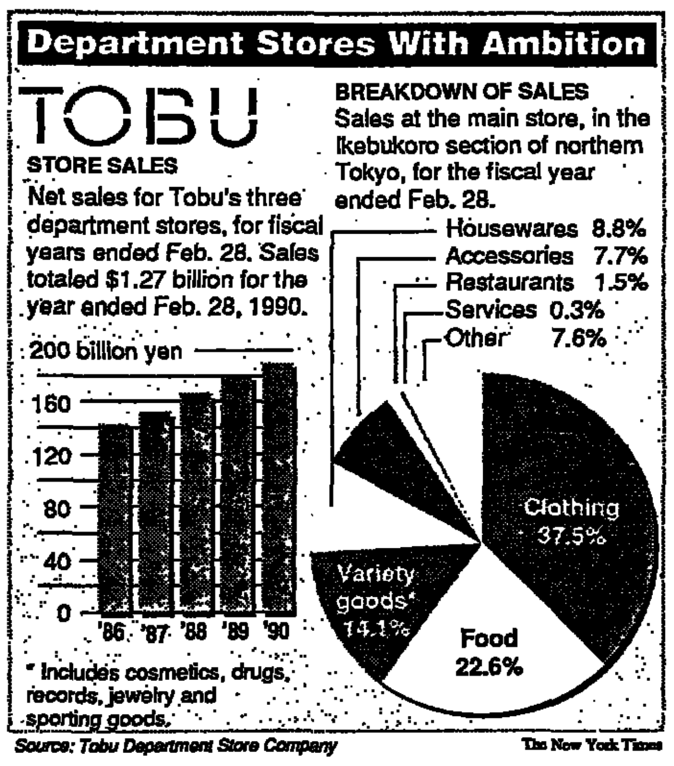
As a second-tier company struggling to keep up with the revolution sweeping Japanese retailing, Tobu had been counting on Saks to give it both the engagingly foreign cachet and the merchandising skills it needed to make a success of the ambitious, vast and varied complex inspired by Disneyland and California shopping malls.

Tobu has no problems with money — it is part of the vastly wealthy Tobu Railway group, which has a number of enormously valuable land holdings.

In addition, much of the land lies conveniently along Tobu's commuter rail lines. But the company's executives acknowledge that they need retailing expertise.

Deregulation and the awakening of Japan's newly wealthy consumers have begun to transform a staid, conservative business.

Department Stores With Ambition



Source: Tobu Department Store Company — The New York Times

The protective cocoon in which Japanese retailers have operated for decades is slowly opening to the forces of competition, partly in response to American pressure to make Japan's markets more accessible to outsiders.

"In some ways, it was more of a real estate business than merchandising," said Takayuki Suzuki, a senior business analyst in Tokyo for Grand Metropolitan PLC, the British consumer goods company.

"When you walk into a Japanese department store, it looks modern, but they are really very conservative," Mr. Suzuki said. "They still don't know how to take risks, and that's what has to start changing."

The easing of government restrictions, which sometimes delayed store openings for up to 10 years, will make it easier for retailers to expand quickly.

Foreign retailers are expected to enter the market and, perhaps most important, the old distribution system is breaking down. Previously, retailers took almost no risk, since they were able to return most merchandise they could not sell.

But now Tobu and other Japanese retailers have become aware of the need to operate under the discipline of the markets.

"We realize that we need to learn more about merchandising control," Mr. Nezu said. "We had judged Saks particularly strong in this area."

In other words, Tobu, like other Japanese retailers, will have to develop the expertise to anticipate fashions and what its customers will want to buy.

It will have to consider more carefully the prices of its goods.

And, in what would be a significant break with Japan's retailing orthodoxy, it will have to think about holding sales from time to time to make way for new products and to avoid excessive inventory. Price slashing, American-style, is almost unheard of in Japan.

Mike Allen, a retailing analyst with Barclays de Zoete Wedd, a British securities firm, said: "A bigger store doesn't help at all if you don't know what to do with it. Tobu just has no experience with this, which is why Saks was so important to them. That's the challenge they face."

Even with the loss of Saks, and without an acquisition, Tobu is moving ahead.

The plans for the new store, expected to cost more than $500 million, call for a hotel, community college, sports center, movie theaters, restaurants and concert halls.

The variety of the complex represents another trend in Japanese retailing: to turn stores into entertainment and amusement centers where families can come and not just shop, but indulge in an import that is slowly catching on here — relaxing.

Although the building of conglomerates has fallen out of favor in the United States, Japanese companies like to add services and companies to expand their base of customers and profits.

The idea of a facility where one company feeds, clothes, entertains and provides a social setting for customers has turned into a fad.

"If this was an American company, they would just rent the land out to a company that specializes in building malls," said Mr. Allen of Barclays de Zoete Wedd. "But this is Japan, where they want to do everything themselves. It will be interesting to see how they handle it."

Japan First in Investment

The Associated Press

WASHINGTON — Japan outspent the United States on industrial investment in 1989 for the first time as Americans failed to keep pace with their major trading partners, according to a report on competitiveness released Saturday.

The report, prepared by the Council on Competitiveness, tracks U.S. economic performance since 1970, compared with that of Japan, West Germany, Britain, France, Canada and Italy.

In 1989, Japan spent $549 billion to modernize and expand its industries, compared with $513 billion for the United States, even though the U.S. economy is more than twice the size of Japan's.

CURRENCY RATES

Cross Rates — June 22

	$	£	D.M.	F.F.	Lira	D.Fl	B.F.	S.F.	Yen	C$	Peseta
Amsterdam	1.8895	3.263	1.125	0.3351	0.1535 *	—	5.480 *	1.335	1.2208 *	1.6045	1.829 *
Brussels	34.4025	59.6375	20.5325	6.1125	2.8004 *	18.2455	—	24.2535	0.2228	29.315	0.3334*
Frankfurt	1.6802	2.91	—	0.2978	0.1365 *	0.889	4.874 *	1.1883	1.0855 *	1.4280	1.625 *
London (a)	1.7295	—	2.8900	9.7330	2,124.50	3.267	59.535	2.4430	267.76	2.0395	178.46
Madrid	103.456	178.20	61.587	18.333	8.4005 *	54.74	3.001	73.04	66.823 *	87.902	—
Milan	1,231.50	2,129.40	732.80	218.26	—	651.54	35.716	869.70	N.A.	1,046.75	11.900
New York (b)	—	1.733 a	1.6745	5.624	1,227.50	1.884	34.415	1.4117	154.85	1.1785	103.30
Paris	5.638	9.7565	3.358	—	0.4582 *	2.9848	0.1636	3.9835	3.646 *	4.792	5.4555*
Tokyo	154.90	266.58	92.37	27.53	0.1262	82.15	4.5055	109.62	—	131.72	1.504
Toronto	1.1778	2.0394	0.7032	0.2094	0.9595 *	0.6252	3.42 *	0.8338	0.7606 *	—	1.143 *
Zurich	1.4145	2.4434	0.842	0.2508	0.1149 *	0.7480	4.1039 *	—	0.9144 *	1.1989	1.3675*
1 ECU	1.2284	0.7105	2.063	6.9280	1,512.12	2.3200	42.3357	1.7388	190.853	1.4448	127.881
1 SDR	1.3162	0.7631	2.2114	7.4205	1,621.10	2.4856	45.3582	1.8637	203.939	1.5456	136.145

Closings in London and Zurich, fixings in other centers. New York closing rates; Toronto rates at 3 p.m.
*a: To buy one pound; b: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	5330.2	Greek drac.	164.10	Mex. peso	2846.00	S. Afr. rand	2.6625
Austral. $	1.2796	Hong Kong $	7.7855	N. Zealand $	1.7094	Soviet ruble*	0.5995
Austr. schil.	11.79	Indian rupee	17.452	Norw. krone	6.456	Swed. krona	6.073
Brazil cruz.	56.70	Indo. rupiah	1828.02	Phil. peso	22.79	Taiwan $	27.10
Chinese yuan*	4.72	Irish £	0.6264	Port. escudo	147.00	Thai baht	25.73
Danish krone	6.39	Israeli shek.	1.97	Saudi riyal	3.7495	Turkish lira	2610.01
Egypt. pound	2.7084	Kuwaiti dinar	0.2923	Sing. $	1.842	UAE dirham	3.6727
Fin. markka	3.949	Malay. ring.	2.7095	S. Kor. won	716.80	Venez. boliv.	47.65

*New York rates unless marked * (local rate.)*

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.7186	1.7088	1.7007	Canadian dollar	1.1804	1.1857	1.1907
Japanese yen	154.63	154.51	154.40	Swiss franc	1.4147	1.4140	1.4134
Deutsche mark	1.6776	1.6775	1.6775				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	June 22	June 15	Ch'ge
DJ Indus.	2,857.18	2,935.89	—2.68 %
DJ Util.	208.19	211.71	—1.66 %
DJ Trans.	1,164.23	1,193.25	—2.43 %
S & P 100	338.41	346.47	—2.33 %
S & P 500	355.43	362.91	—2.06 %
S & P Ind	417.10	424.91	—1.84 %
NYSE Cp	194.24	197.86	—1.83 %
Britain			
FTSE 100	2,378.50	2,392.30	—0.58 %
FT 30	1,913.00	1,925.90	—0.67 %
Japan			
Nikkei 225	31,695.00	32,538.00	—2.59 %
West Germany			
DAX	1,872.92	1,792.26	+ 4.50 %
Hong Kong			
Hang Seng	3,250.44	3,201.52	+ 1.53 %
World			
MSCIP	516.80	521.50	—0.90 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

United States	June 22	June 15
Discount rate	7.00	7.00
Federal funds rate	8 3/16	8¼
Prime rate	10.00	10.00
Japan		
Discount	5¼	5¼
Call money	7 11/32	6⅞
3-month interbank	7 11/32	7¼
West Germany		
Lombard	8.00	8.00
Call money	7.65	7.75
3-month interbank	8.30	8.30
Britain		
Bank base rate	15.00	15.00
Call money	15.00	14¾
3-month interbank	14 15/16	14 15/16

Gold	June 22	June 15	Ch'ge
London p.m. fix $	348.40	346.90	+ 0.43 %

Dollar Fears Aid Bourses Outside U.S.

By Jonathan Fuerbringer
New York Times Service

NEW YORK — While the dollar has been relatively tame this year, it has still managed to boost the returns of some Americans who invested away from Wall Street.

And if forecasters who think the dollar will decline later in 1990 are correct, this would be a good time for U.S. investors to send more money to overseas bourses that look as though they could rally in the second half. Among these are the markets in Britain, West Germany and Japan.

In the first half of 1990, exchange-rate gains — because of a weakening dollar — have accounted for most or all of the profits for U.S. traders on several European stock markets and has mitigated the losses in others.

A 9.5 percent rise in the Swiss franc against the dollar accounted for most of the 10 percent gain in dollar terms from the Swiss stock market through last week, according to the Financial Times World Indexes. The market is up only 2.2 percent this year.

This is the first time in two years that Americans investing in Switzerland have received foreign-exchange gains. In 1988, a 10 percent gain in the market was turned into a 7 percent loss because of a rise in the dollar.

Last year, a much smaller rise in the dollar chipped a 23.7 percent gain in the stock market down to 21.4 percent.

U.S.-based investors in Britain also have been helped this year by the recent weakening of the dollar against the pound.

Through last week, the London market was down 2 percent for the year. But with a 7.5 percent gain against the dollar, the dollar investor has more than a 5 percent gain.

In Spain, a 4 percent fall in the market is cut to less than 1 percent when a stronger peseta is turned into dollars.

In the case of Japan, the reverse has occurred. Currency considerations have made the sharp losses in Tokyo even more painful for Americans because of the weaker yen.

The Tokyo market, measured by the Financial Times index, fell 21 percent through last week, but the foreign-exchange factor increased this loss to 26.5 percent in dollars.

Unfortunately, forecasters are

See DOLLAR, Page 13

OECD Aid to Poor Countries Drops

Agence France-Presse

PARIS — Non-communist industrialized nations cut their development aid to poor countries by $1.6 billion last year, and Japan overtook the United States as the largest donor, the Organization for Economic Cooperation and Development said Sunday.

The OECD's Development Assistance Committee set net 1989 disbursements of official development assistance by its 18 member countries at $46.5 billion in 1989, down from $48.1 billion in 1988.

Allowing for inflation and exchange rate variations, aid from the members of the assistance committee fell 2 percent.

Japan moved into the top slot among the donors, raising its aid by 4 percent, to $8.96 billion. It was well ahead of the United States, which reported official development loans, grants and technical aid worth $7.66 billion, down from $10.1 billion in 1988.

France was the third-largest donor, with $5.14 billion, followed by West Germany at $4.95 billion.

The Nordic countries — Denmark, Finland, Norway and Sweden — and the Netherlands, taken as a group, contributed $6.53 billion. They continued to donate the largest share of the economic output, with aid as a share of gross national product averaging 0.92 percent. Norway's ratio was 1.02 percent and Denmark's 1.0 percent.

Overall, the assistance committee members' ratio of aid to GNP fell to 0.33 percent in 1989 from 0.36 percent in 1988.

Japan's ratio was unchanged at 0.32 percent, while the United States fell to 0.15 percent from 0.21 percent. The new U.S. ratio is the lowest in the group.

Most industrial country donors, with the United States and Japan as notable exceptions, have accepted an aid target of 0.7 percent of GNP, European officials said.

France, which is committed to the 0.7 percent target, had the highest ratio of aid-to-output among the Group of Seven countries, with 0.54 percent. It was followed by Canada, 0.44 percent; West Germany, 0.41 percent; and Italy, 0.39 percent. Britain was just behind Japan, but its ratio of 0.31 percent was double that of the United States.

Joe Wheeler, chairman of the Development Assistance Committee, said the group's poor 1989 showing did not stem from a diversion of aid money to Eastern European countries that are moving towards market-based economies. He said the committee members have pledged to maintain high priority for Third World aid.

Last year's aid decline was due to special factors, mainly a "bunching" of contributions to multilateral bodies, especially by the United States, which turned the 1988 total into "an exaggeration of reality," he said.

Mr. Wheeler, noting that U.S. aid actually averaged just under $9 billion annually over the past two years, said he expected a "much better" American figure this year.

He forecast "further modest increases in real terms" in aid in the years ahead, adding that Japan would probably hold on to its lead position over the next three years. It still had $31 billion left to spend under its $50 billion program for the five years up to the end of 1992.

The report said total 1989 development aid from all sources, including countries not represented on the committee, remained virtually unchanged from year-earlier levels, at $51.3 billion.

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30. Prices may vary according to market conditions and other factors. June 22

Dollar Straights

Governments/ Supranationals

Issuer	Con	Mat	Price	Yld	Spd Trsy
A I D C	9¾	96	94	9.74	+181
Asian Dev Bk	11¼	93	106	9.55	+87
Asian Dev Bk	8	96	92¾	9.45	+90
Asian Dev Bk	9⅞	99	101¼	9.45	+91
Austra Wheat	9½	93	100⅞	9.32	+64
Australia	8⅞	92	97½	9.55	+94
Australia	11½	93	107½	9.40	+91
Australia	11	95	105½	9.54	+87
Australia	11⅝	98	110½	9.71	+96
Australia	11¼	00	106½	9.84	+117
Austri Control	9¼	92	99½	9.51	+69
Austri Control	15¼	92	109	9.44	+84
Austri Control	8¼	93	97¾	9.04	+41
Austri Control	12	94	108½	9.52	+84
Austri Control	9¼	94	100½	9.12	+42
Austri Control	9⅞	00	98⅝	9.34	+62
Austri Postspa	10½	94	102¾	9.62	+87
Austria	10	98	102	9.63	+88
Austria	11	95	105⅞	9.68	+92
Austria	11¼	00	100½	9.87	+129

Floating Rate Notes

Deutsche Marks

Issuer & Mat	Price	Crt. Cpn.
African Dv Bk 8-1-97	99¾	8.88
Ames Mar 05	99¼	9.00
Asfinag Mar 2005	99½	8.13
Austria 98	99¾	8.09
Austria Feb 05	99¾	8.10
Belgium 31-may-95	99¾	8.44
Belgium 97	100	8.94
Belgium Aug 99	100	8.86
Belgium Mar-08	99¾	8.81
Bk Greece 92/95	99½	8.81
Bk Greece Jul-98	99¾	8.91
Bk Of China Nov 93	98	8.44
Bnp 92	100	8.63
Bundesbahn 13-mar-00	99⅝	8.05
Bundesbank 6-apr-00	99⅝	8.00
Bundespost 4-mar-00	99⅝	8.25
C.c.e. 95	100	8.63
Cibc 95	93½	8.88
Cic Mar 93	100⅛	8.94
Commerz 95 Oct	93½	8.25
Commerzbk 93 Dec	100	8.56
Cred Foncier 96	100	8.63
Creditop 15-may-94	99¾	8.47
Danish Ind 4/4/97	99⅝	8.56
Denmark Stars 96	100	9.06
Dg Bank 96	93½	8.00
Dsc 96	93½	8.00
Dresdner Fin 98	100⅛	8.41
Dresdner Fin 94/99	100	8.47
Dresdner Fin Jan 00	100⅛	8.63
Eec 92	100⅛	9.00
Eib Aug 2006	99¾	8.73
Eib Dec 90	99½	7.75
Eib Jun 2006	99⅝	8.35
Eurofima Jul 99	100	8.58
European Coal& Steel	99¾	8.34
Great Belt Feb 2000	99⅝	8.38
Halifax May 1995	99⅝	8.53
Hydro Quebec Apr-00	99½	8.49
Ibj 95	93½	8.00
Ikb Fin Nv 95	93¾	8.14
Ireland 00 Feb	99⅝	8.83
Ireland 97	100	8.69
Ireland 98 Jul	99⅝	8.56
Ireland 98 Stars	100	9.08
Jp Morgan 95	92½	8.00
Kfw Oct 99	100	8.48
Kop Fin 11-apr-2000	99¾	8.63
Lavoro Bk Feb 1995	99½	8.91
Lkb 95 Nov	100⅛	8.56
Lkb 99 Jul	100⅛	8.56
Lkb Feb 00	99⅝	8.86
Lkb 97 Jan	100¼	8.54
Lkb 99 Nov	100⅛	8.50
Lufthansa Int Fin 00	99⅝	8.63
Malaysia 05	95	8.38
Midland 98	99	8.31
Mitsubishi 96	93½	8.00
Montedison 93	99½	8.88
New Zealand 8-6-97	99½	8.19
New Zealand Mar-95	99⅝	8.81
Okb 29-may-95	99⅝	8.35
Rbc 95	93½	8.00
Renfe 96	99½	8.91
Se Banken Mar 95	99⅝	8.23
Sec Pac 95	92½	8.00
Ubl Feb 2000	99⅝	8.25
Union Finland 96	93½	8.00
Wells Fargo 95	92	8.00

Pounds

Issuer & Mat	Price	Crt. Cpn.
Abbey Nat 90	100	15.25
Abbey Nat 92/00	99⅝	15.31
Abbey Nat 93	99⅝	15.35
All & Leic 93 Jul	99½	14.88
All & Leic 93 Nov	100	15.31
All & Leic 93 Sep	100	15.06
All & Leic 94 Jul	99⅞	15.23
All & Leic 95 May	100	15.25
All & Leic 96 Jul	99⅝	14.44
Anglia 96 Sep	99⅞	15.02
Anglia 98 Jan	100	15.38
B/ham Midshires 98	99⅝	15.06
Birm And Mid 95	99⅝	15.29
Brad & Bing 94 May	99⅝	15.25
Brad & Bing 98 Apr	99⅝	15.13
Brad & Bing 99 Oct	99⅝	15.31
Brad & Bing Tap-99	99½	14.95
Bristol & West 92Oct	100	15.38
Bristol & West 93Jul	99½	14.94
Bristol & West 94Aug	99½	15.44
Britannia 93	100	15.38
Britannia 96	99⅝	15.25
Britannia Bs May-94	99⅝	15.19
Britannia Feb 95	99⅝	15.29
Chelt/gloucs Mar94	99⅝	15.25
Cie Bancaire 95	99⅝	14.94
Coll Mort Sec No1 a1	99⅝	15.25
Coll Mort Sec No1 a2	99⅝	15.44
Coll Mort Sec No1 a3	99½	15.45
Coll Mort Sec No2	99½	15.31
Coll Mort Sec No3 a	99½	15.45
Coll Mort Sec No4	99⅝	15.19
Domos Mort 1	99⅝	15.48
Ex Finance 1 Plc	100	15.46
Ferrovie 95	100	15.48
Gracechurch 2019	99⅝	15.45
Halifax 92 Oct	100	15.25
Halifax 94 May	100	15.31
Halifax 95 Jul	99⅝	15.00
Halifax 96 Feb	100	15.19
Halifax Sep96 Tach 1	99⅝	15.02
Halifax Sep96 Tach 2	100⅛	15.06
Hmc 5a	99⅝	15.40
Hmc No 01	99⅝	15.17
Hmc No 02 Feb 15	100	15.41
Hmc No 03 Jul 15	100	15.57
Hmc No 04	99½	15.37
Hmc2 No 02b	100	14.41
III Nov 94	99⅝	15.25
III Oct 94	99⅝	15.38
Leeds Perm 94 Oct	100	15.38
Leeds Perm 96 Mar	99⅝	15.06
Leeds Perm 98	99⅝	15.06
Leeds Perm Feb 1997	99⅞	15.10
Maes 2 May 2017	99⅝	15.40
Maes No 1 Jul 18	100	15.51
Mfc 1 Mar 2029	100	15.36
Mfc 2 Aug 2023	100	15.69
Mfc 3 Oct 2023	100	15.61
Milk Mkt Bd 93	99⅝	15.00
Mort Secs 1	100	15.68
Mort Secs 2	99½	15.12
Nat Provincial 02/99	100	15.25
Nat Provincial Mar96	99⅝	15.06
Nationwide b/s 93Feb	99⅝	15.07
Nationwide b/s 95Oct	100	15.31
Nationwide b/s 96Jul	99⅝	15.25
Nationwide b.s 96Oct	99⅝	15.07
Natwide Bsoc Jun-95	99⅝	15.23
New Zealand 97	99⅝	15.06
Nhl 1 Sep 13	99⅝	15.45
Nhl 2 Oct 14	97½	15.45
Nhl 3 Nov 14	99⅝	15.47
Nhl 4 Oct 15	99⅝	15.45
Northern Rock 92	99⅝	15.44
Northern Rock 95	99⅝	15.38
Prudential 95	100	15.23
Resid No 1 May 18	100	15.70
Resid No 2 Jul 18	100	15.70
Smith Beech May 97	99⅝	14.94
Srl Mort Notes No1	99⅝	15.20
Temple Court No 1	99⅝	15.64
Tmc No 01 Sep 14	99⅞	15.50
Tmc No 02 Nov 14	100	15.63
Tmc No 03 Apr 15	100	15.75
Tmc No 04 May 15	100	15.43
Tmc No 05 Sep 15	100	15.49
Tmc No 06 Oct 15	100	15.70
Tmc No 07 Nov 15	100	15.53
Tmc No 08 Dec 18	100	15.57
Tmc No 09 Feb 19	100	15.28
Tmc No 10 Jan 19	100	15.65
Tmc No 11 Mar 20	99⅝	15.21
Tmc Pimbs No 1	99½	15.38
Tmc Pimbs No 2	99⅝	15.55
Tmc Pimbs No 4a	99⅝	15.63
Tmc Pimbs No 4b	99⅝	15.45
Tmc Pimbs No 5	99⅝	15.48
Town & Count Fm	99⅝	15.38
Woolwich b/s Jul 93	100	15.38
Woolwich b/s Mar 94	99½	15.15
Woolwich b/s Nov 95	99⅝	15.13
Woolwich Bs Apr-95	99⅝	15.31
Yorkshire b/s Feb 96	99⅝	15.35
Yorkshire b/s Jul 97	99⅝	15.04

Dollars

Issuer & Mat	Price	Crt. Cpn.
Aib Perp	88	8.81
Aib Perp	85½	9.19
Alaska Finance Jul01	99	8.35
Alberta 93	99⅝	8.41
American Express 97	97	8.59
Americans & l 96	99⅝	8.71
Amex Sub Mar 99	96½	8.63
Anz Perp	86¼	9.13
Bankers Trust 1996	98¼	8.50
Bankers Trust 2000	96¼	8.38
Barclays o/s 04	98⅝	8.56
Barclays Perp Old	94	9.25
Barclays Perp Ser 1	91½	8.44
Barclays Perp Ser 2	91¼	8.50
Bbl Intl 01	96	8.43
Bcl 98	97	8.45
Bca Di Napoli 91	99⅝	8.88
Bca Di Napoli 96	99⅝	8.66
Bca Di Napoli 97	97½	8.44
Bca Di Roma 99	99½	8.38
Bca Di Roma Jun01	95⅝	8.47
Bca Santo Spirito 93	99½	8.63
Belgium 1991 Feb	99⅝	8.38
Belgium 1994 Oct	100	8.69
Belgium 1996 Jul	99¾	8.31
Belgium 1996a Jan	100⅛	8.31
Belgium Dec 99	99½	8.56
Bergen Bk Perp	84¼	8.69
Bfce 97	100	8.48
Bfce Nov 96	99⅝	8.42
Bk Ireland Perp	85	8.63
Bk Nova Scotia 85	83	8.56
Bk Scotland Perp	88½	8.69
Bnp 1991 Sep	100¼	8.75
Bnp 1995 Feb	100½	8.63
Bnp 2005 Mthly	98⅝	8.38
Bnp 97 (Cap)	99⅝	8.81
Bnp Perp	91¼	8.76
Bq Indosuez 97 (Cap)	100	8.75
Bq Indosuez 97 New	99⅝	8.81
Bq Paribas Perp 1	95	8.63
Bq Paribas Perp 2	91¼	8.44
Carteret s & l 96	99½	8.63
Cba Perp New	98½	8.50
Cba Perp Old	97	8.46
Ccf 97 (Mthly)	99	8.13
Centrust 92/95	99⅝	8.69
Centrust Jun 96	99⅝	8.52
Centrust Sep 96	99⅝	8.59
Christiania Perp	85½	9.19
Cibc 2084	91	8.69
Cibc 2085	83	8.50
Citicorp 1996 Oct	97¼	8.81
Citicorp 1996 Sep	96½	8.38
Citicorp 1997 Jan	96¾	8.81
Citicorp 1998 Jan	96¼	8.59
Citicorp 1998 May	96⅝	8.56
Citicorp Perp 1	97	8.38
Citicorp Perp 2	88	8.56
Citizens Mar 96	99½	8.71
Columbus s&l 96	99½	8.63
Comalco 93	99½	8.31
Commerzbk Aug93	99⅝	8.31
Cr Lyonnais 1997	99¼	8.94
Cr Lyonnais 1999 Dec	99½	8.56
Cr Lyonnais 2000 Jul	98⅝	8.31
Credit Foncier Oct98	99½	8.44
Crossland Dec 97	99⅝	8.75
Csfb Perp	81	8.44
Den Danske Bank Perp	90¼	8.88
Denmark Aug96	99⅝	8.19
Dnc Perp	84¼	8.69
Dnc Perp (Conv)	82½	8.50
Dresdner Fin 91	100	8.88
Dresdner Fin 92	100	8.50
Dresdner Fin 93	100½	8.94
East River Aug93	99⅝	8.50
Eni 93	99⅝	8.38
Ferrovie 94	100⅛	8.44
Ferrovie May 97	99⅝	8.54
Fidelity Fed Oct 92	99⅝	8.81
Fortune s&l 92	99⅝	8.81
Fst Fed Mich May 95	99⅝	8.44
Georgia Fed Dec 95	99⅝	8.50
Great Lakes s&l 97	99⅝	8.69
Gt Amer'n 1St Sav 92	99¼	8.88
Gzb Perp	88¼	8.75
Hill Samuel Perp	82½	8.50
Hong Kong Perp 1	82	8.44
Hong Kong Perp 2	81½	8.63
Hong Kong Perp 3	81½	8.38
Household Jun96	99⅝	8.50
Hydro 92 (Mthly)	97½	8.13
Hydro May 05	97½	8.44
Hydro Perp	95	8.63
Ica 27-apr-1992	99⅝	8.73
Ireland 1998 Jun	97¼	8.38
Ireland 2000 Nov	99¼	8.25
Italy 00	100⅛	8.38
Jp Morgan 1997 Dec	98½	8.34
Jp Morgan 1997 May	97½	8.56
Kleinwort Perp	88	8.88
Lloyds Perp 1	87¼	8.69
Lloyds Perp 2	87	8.56
Lloyds Perp 3	86	8.54
Mellon Jul 96	99	8.70
Mgn Grenfell Perp	91	8.94
Midland Mar 99	97¼	8.63
Midland Perp 1	84¼	8.69
Midland Perp 2	84¼	9.08
Midland Perp 3	83¼	8.48
Mitsui Fin 96	99⅝	8.56
Nab Perp	86¼	8.77
Nat Bk Canada 87	82½	8.56
Nat West Fin 05	97½	8.81
Nat West Fin Pp Old	98	7.80
Nat West Perp (a)	91¼	8.50
Nat West Perp (b)	91¼	8.56
Nat West Perp (c)	91	8.50
New Zealand Aug 93	99½	8.25
New Zealand Jun 96	99½	8.38
Northeast Savings 95	99¼	8.38
Northeast Savings 96	99½	8.56
Pima 95 (Cap)	99¼	9.13
Portugal Dec 93	97½	8.69
Quebec Oct01	89	9.00
R Nedding Perp	88½	8.56
Rbs Perp	99⅝	8.50
Rente Nov98	91	8.69
Rep Ny Perp	93	8.88
Rhone-poulenc Perp	99⅝	8.85
Rbwa Perp	99⅝	8.38
Rio 94	81	9.21
Rothschilds Perp	91	8.50
Royal Bk Canada 2085	88	8.71
Royal Trust Sep 85	99⅝	8.41
Santa Barbara Aug96	99⅝	8.44
Santa Barbara Sep196	99⅝	8.41
Sanwa Intl Jan 93	99⅝	8.38
Sec Pacific 97	95⅝	8.38
Soc Gen Perp	91¼	8.57
Soc Gen Tranche 1 96	99¼	8.63
St Bk Victoria Perp	93½	8.69
St Of Victoria 99/04	98¾	8.49
Stand Chart Perp1	79	8.56
Stand Chart Perp2	80¼	9.19
Stand Chart Perp3	79¾	8.52
Stand Chart Perp4	79¾	8.52
Ste Bk New Feb98	99½	8.56
Taiyo 92/04	99⅝	8.63
Takugin 92/94	99⅝	8.81
Uk Sep96	99⅝	8.13
Vereinswest July 97	99½	8.46
Wells Fargo 1992	99¾	8.41
Wells Fargo 1997 Feb	95⅝	8.59
Wells Fargo 1997 Sep	95½	8.63
Wells Fargo 1998	95	8.56
Wells Fargo 2000	93¾	8.44
Westpac Perp	86¼	8.84
Woodside Aldc 97	97	8.69
Woodside Ibl 97	99⅝	8.44
World Bk Perp	99¼	8.38

Ecus

Issuer & Mat	Price	Crt. Cpn.
Bca Agricoltura 93	99⅝	10.56
Belgium 27-apr-08	100½	10.75
Belgium 99 May	100	10.25
Bnl 30-apr-00	99½	11.02
Bnp Aug96 (Ecu)	99⅝	10.25
Ccce Feb 06	99⅝	10.13
Cr Foncier 96 (Ecu)	100	10.58
Eni 92	97⅝	10.31
Ireland 97 (Ecu)	97⅝	11.13
Pacorp 19Sept 97	98½	10.50
St-gobain Perp	92	11.25

Third World

Issuer	Con	Mat	Price	Yld Mat	Spd Trsy
Astra Sa	16¼	92	58	12.10	
Banobras	17¼	92	106	13.17	+457
Escom	11¾	91	98½	12.91	+431
Escom	12¼	91	99	13.08	+448
Mexico	8¾	91	92	15.60	+700
P E M E X	17¼	94	114	2.27	-632
South Africa	12½	91	100	12.89	+349

Dollar Zeros

Issuer	Mat	Price	Yld	Spd Trsy
Amer Hospital n.a.	09	25⅝	10.69	+176
Amer Intl Gp	04	28⅝	9.36	+49
Amer Medic	02	12	19.11	1017
Amex	00	38⅝	9.59	+67
Arco Fin	92	84⅝	9.39	+73
Asian Dev Bk	04	27	9.13	+17
Austria	95	64	9.23	+39
B N P C/W	92	84	9.74	+106
B N P X/w	92	84	9.74	+106
B P Capital	95	63⅝	9.51	+67
Baker	92	84½	10.69	+202
Beatrice Foods	92	81½	13.51	+485
Bk Tokyo	91	91¼	10.27	+179
Bq Indosuez	92	83	11.91	+324

MUTUAL FUNDS

Figures as of close of trading Friday, June 22.

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc. are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

The Daily Source for International Investors.

NL— No initial sales load. †—Previous day's quote. r—Redemption charge may apply. x—Ex dividend.

New International Bond Issues

Compiled by G. Jennifer Shapiro

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
Banco di Sicilia (London)	$120	2000	½	100.10	—	Over 6-month Libor until 1995, ⅝ over thereafter. Callable at par in 1995. Fees 0.15%. Denominations $100,000. Increased from $100 million. (BJ Int'l.)
Korean Development Bank	$200	1997	1/16	100	—	Over 6-month Libor. Redeemable at par in 1995. Fees 0.325%. Denominations $100,000. (J.P. Morgan Securities Asia.)
Mitsui Taiyo Kobe Australia	$ 50	2000	½	102	—	Over 6-month Libor until 1994, when issue becomes a fixed 10% note. Callable at par in 1994. Fees 2%. Denominations $250,000. (Mitsui Taiyo Kobe Int'l.)
Santander Financial Issuances	$400	Perp.	0.40	100	—	Over 3-month Libor. Variable rate notes, with fallback rates of 0.75% over Libor until 1995, 1% over until 2000, 1¼% over until 2020 and 1.45% over thereafter. Callable at par in 1995. Fees not disclosed. (Salomon Brothers Int'l.)
Banque Indosuez	DM 200	2000	0.35	100	—	Over 6-month Libor. Noncallable. Fees 0.20%. (Trinkaus & Burkhardt.)
Mitsui Taiyo Kobe Bank Luxembourg	DM 40	2000	⅝	102	—	Over 6-month Libor until 1992, when the issue becomes a fixed 9% note. Noncallable. Fees 2¼%. (Mitsui Taiyo Kobe Int'l.)
Intalstat Int'l Luxembourg	DM 180	2000	⅛	100	—	Over 6-month Libor until 1995, when issue may become a fixed 10% note. Noncallable. Fees 0.25%. (Bayerische Vereinsbank.)
Alliance & Leicester Building Society	£ 200	Perp.	9/16	100	—	Over 3-month Libor. Variable rate notes, with fallback rates of 0.90% over Libor until 1995, 1% over until 2000, 1¼% over until 2020 and 1.45% over thereafter. Callable at par in 1995. Fees not disclosed. Denominations £10,000. (Merrill Lynch Int'l.)
Halifax Building Society	£ 350	1995	1/16	100	—	Over 3-month Libor. Callable at par in 1993. Fees 0.12%. Denominations $10,000. (Credit Suisse First Boston.)
Yorkshire Building Society	£ 150	1997	0.10	100	—	Over 3-month Libor. Redeemable at par in 1995. Fees 0.14%. Denominations £50,000. £100 million issued now and £50 million reserved for tap. (Hambros Bank.)
Fixed-Coupon						
Bancal Tri-State	$ 65	1993	8⅝	101⅜	—	Noncallable. Fees 1⅜%. Denominations $100,000. (Mitsubishi Finance Int'l.)
Denmark	$800	1995	9¼	99.839	99.75	Noncallable. Fees 0.20%. Denominations $10,000. (J.P. Morgan Securities.)
Ferrovie dello Stato	$500	2009	9⅛	99.60	—	Redeemable at par in 1999. Fees 0.30%. Denominations $10,000. (Morgan Stanley Int'l.)
First Chicago Master Trust II 1990-A	$1,000	1995	9¼	99.91	—	Semiannually. Noncallable. Fees 0.40%. (Credit Suisse First Boston.)
Kobe City	$150	2000	9¼	101.70	99.45	Noncallable. Fees 2%. (Bank of Tokyo Capital Markets.)
NMB Semiconductor	$150	1994	12¾	111⅞	—	Noncallable. Fees 1⅛%. (Nomura Int'l.)
Nippon Telegraph & Telephone	$250	1997	9¼	99.70	—	Noncallable. Fees 0.30%. Denominations $10,000. (Banque Paribas Capital Markets.)
Reed Publishing	$150	1997	9⅝	101.025	—	Noncallable. Fees 1⅞%. Denominations $10,000. (Credit Suisse First Boston.)
Standard Credit Card Trust	$1,250	1997	9⅛	99.585	—	Noncallable. Fees 0.45%. (Credit Suisse First Boston.)
Finland	DM 300	1995	9	101	—	Noncallable. Fees 2%. (Dresdner Bank.)
Girozentrale Wien	DM 75	1993	12⅛	101½	—	Noncallable. Redemption may be in Canadian dollars at a fixed exchange rate of 1.40 marks per dollar. Fees 1½%. (Bankers Trust.)
Oil & Natural Gas Commission of India	DM 250	1997	9½	100⅝	—	Noncallable. Fees 2¼%. (Commerzbank.)
WestLB Finance Curacao	DM 100	1993	11¾	—	—	Issue price and fees not disclosed. Last coupon payment and redemption may be in Canadian dollars at a fixed exchange rate of 1.40 marks per dollar. Noncallable private placement. (Westdeutsche Landesbank.)
Compagnie Bancaire	FF 750	1993	10¼	100⅝	99.50	Noncallable. Fees 1⅞%. (Banque Paribas Capital Markets.)
Saint Gobain Nederland	FF 750	1995	10½	101.80	100.00	Noncallable. Fees 1⅞%. (Crédit Commercial de France.)
JAL Finance Europe Netherlands	m.115,000	1995	12⅞	101.80	99.80	Noncallable. Fees 1⅞%. (Istituto Mobiliare Italiano.)
Italy	ECU 1,000	1997	10⅜	99⅞	100.03	Noncallable. Fees 0.30%. (Istituto Bancario San Paolo di Torino.)
Japan Development Bank	ECU 200	1995	10½	101.80	100.30	Noncallable. Fees 1⅞%. (Crédit Lyonnais.)
Postipankki	FM 200	1992	13½	101⅛	99.125	Noncallable. Fees 1¼%. (Postipankki.)
Veitsiluoto	FM 150	1995	13½	101⅞	—	Noncallable. Fees 1⅞%. (Postipankki.)
J.P. Morgan & Co.	C$ 125	1993	13	101⅞	100.50	Noncallable. Fees 1⅛%. (Credit Suisse First Boston.)
Norddeutsche Landesbank	C$ 75	1993	13	101.70	100.35	Noncallable. Fees 1⅛%. (Bankers Trust Int'l.)
Daimler Benz Int'l Finance	Aus$ 100	1995	14¼	101	99.20	Noncallable. Fees 2%. (Deutsche Bank Capital Markets.)
South Australian Government Financing Authority	Aus$ 75	1993	15¼	102	100.60	Noncallable. Fees 1½%. (Hambros Bank.)
Orix Ireland Finance	Y 30,000	1995	7	101¾	—	Noncallable. Fees 1⅞%. (Daiwa Europe.)
Equity-Linked						
Miwon	$ 30	2005	1¾	100	99.00	Redeemable at 130.19 in 1995 to yield 7%. Each $5,000 note convertible at 22,114 won per share, a 48.4% premium, and at 716.20 won per dollar. Fees 2½%. (Morgan Stanley Int'l.)

Capital Rules Alter Banking

Emphasis Is on OECD and High-Profit Business Loans

By Carl Gewirtz

International Herald Tribune

PARIS — The implementation of new international rules measuring the capital adequacy of banks, intended in part to force commercial bankers to focus on profits

INTERNATIONAL CREDIT

rather than new business, is having an increasing impact on the types of business banks are willing to undertake.

Banks now want either of two kinds of loan business. They want very high returns on lending that ranks as a 100 percent risk weighting against capital — required on all corporate loans. This means a preference for project lending rather than standard financial credits to companies. Or they want to lend to governments in the Organization for Economic Cooperation and Development — which carry a zero risk weighting against capital.

This explains the reasonable response to the $200 million syndicated loan that Turkey has just completed and the intense competition to win the mandate for a $1 billion standby credit for the Australian Wool Board.

The Wool Board's credit facility is aimed to serve as a back-up to its issuance of commercial paper in the U.S. market. A consortium of five banks comprising Amro, Banque Nationale de Paris, Commonwealth Bank of Australia, National Westminster and Sumitomo Bank last week won the mandate to arrange the three-year financing.

The annual facility fee is believed to be in the range of 6¼ basis points, low by today's standards but above the 4 basis points that banks had been charging before the new capital adequacy rules were first outlined in December 1987.

The risk weighting factor will also play a role in the $1.5-billion financing that Credit Suisse First Boston is arranging for its Swiss parent CS Holding, which owns Credit Suisse, Clariden Bank, Bank Hofmann and the recently acquired Bank Leu.

If the holding company is a bank, which the Swiss government says it is, a one-year loan would carry a 20-percent risk weighting.

If the holding company is not a bank, and it denies it is one — that would require a much higher capitalization — the capital risk weighting would be 100 percent, regardless of maturity.

CSFB is not willing to make public what the proposed terms are on the one-year loan, which would be renewable annually at the lenders' option. CSFB says only that the credit is designed as a bridge financing pending a financial restructuring of CS Holding.

An $850 million loan, half guaranteed by Noranda of Canada and Trelleborg of Sweden, is being arranged in the name of Trellnor, their jointly owned Canadian company.

The margin on the seven-year loan starts at 40 basis points over the London interbank offered rate for the first three years and then rises to 45 basis points for the next two years and 50 basis points thereafter.

Banks underwriting $30 million equally divided between the two guarantors will be paid a front-end fee of 18 basis points. A $30 million underwriting, but all under the guarantee of only one of the backers, will earn a fee of 15 basis points. Bankers described the terms as fair.

2 Foreign Banks Balk At Trump Bailout Plan

United Press International

NEW YORK — Sources close to negotiations aimed at rescuing the financially strapped developer Donald J. Trump said Sunday that two banks were hesitating to join a critical bailout plan and could force him into default.

Mr. Trump, who was unable on June 15 to meet nearly $43 million in payments on bond issues for the Trump Castle casino-hotel in Atlantic City, New Jersey, had a 10-day grace period — expiring after Monday — to raise the funds or be found in default.

Mr. Trump is trying to raise $65 million in fresh capital, which would allow him to meet the bond payments in a complex and broad-ranging bailout plan negotiated among his lenders.

Sources said Saturday that Dresdner Bank AG, a leading West German bank, was balking at joining the bailout.

Dresdner is among four foreign lenders whose agreement is key to the plan to help Mr. Trump restructure $2 billion in bank loans and $1.3 billion in publicly traded debt.

As negotiations continued over the weekend, sources said Société Générale of Paris, one of five banks forming a syndicate that has loans on Mr. Trump's railroad yard properties on New York's West Side, also was hesitating to join the bailout plan.

The French bank was "having reservations at this 11th hour" about joining the bailout, a source close to the negotiations said.

The source added that bankers plan to speak Monday to the two holdout banks to see if they can be persuaded to go along with the agreement. "If they don't agree, then the Trump casino bonds will be in default, or at least the bank agreement will be in serious jeopardy."

The source said the the French and German banks were the only ones out of about 60 lenders that were hesitating.

Meetings between Dresdner Bank executives and representatives of U.S. banks that lent money to Mr. Trump are to resume Monday in a bid to secure an agreement to prevent Mr. Trump from being in default by Tuesday.

■ Trump Sells Shipyard

Donald J. Trump has sold the Dutch shipyard that was building his luxury $210 million yacht, only two months after he bought it, Reuters reported from Amsterdam.

"Trump sold the yard last week. I know who to and for how muchm but I cannot reveal the details," said Andries Bosma, financial controller for the Amels Holland BV shipbuilding concern.

Euromarts At a Glance

Eurobond Yields

	June 20	June 13
U.S. $, 8 yrs & over	9.49	9.48
U.S. $, 5 to 7 yrs	9.42	9.44
U.S. $, less than 5 yrs	8.68	8.79
Pounds sterling, less than 5 yrs	13.24	13.25
French francs, less than 5 yrs	9.87	9.94
Ital. lire, less than 5 yrs	12.04	12.06
Danish kroner, less than 5 yrs	10.70	10.73
ECU, 8 yrs & over	10.38	10.40
ECU, 5 to 7 yrs	10.30	10.36
Can. $, less than 5 yrs	12.87	12.66
Aus. $, less than 5 yrs	15.12	15.05
N.Z. $, less than 5 yrs	13.33	13.37
Yen, 5 to 7 yrs	7.26	7.25
Yen, less than 5 yrs	7.08	7.06

Source: Luxembourg Stock Exchange.

Weekly Sales — June 21

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	139.30	684.30	1,013.60	866.20
Convert.	—	0.10	—	—
FRNs	242.90	4.70	257.00	428.40
ECP	4,710.60	1,255.30	8,883.60	2,146.10
Total	5,092.80	2,044.40	10,154.20	3,440.70

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	5,740.90	9,444.90	12,665.80	10,532.20
Convert.	182.50	587.20	615.00	547.90
FRNs	2,691.90	1,169.60	4,181.50	3,732.20
ECP	3,222.20	1,606.60	2,873.40	2,917.20
Total	11,837.50	12,808.30	20,335.70	17,729.50

Source: Euroclear, Cedel.

Libor Rates — June 22

	1-month	3-month	6-month
U.S. $	8 5/16	8⅜	8 7/16
Deutsche mark	8	8¼	8½
Pound sterling	15	15	15
French franc	9⅝	10	10 3/16
ECU	9 15/16	10 3/16	10 9/16
Yen	7½	7½	7 9/16

Source: Morgan Guaranty, Lloyds Bank, Reuters.

U.S. Treasury Bonds — June 22

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
15.05.92	100 7/32	100 9/32	8.37	8.30
15.05.93	100 17/32	100 19/32	8.41	8.35
31.03.94	100 2/32	100 4/32	8.47	8.42
15.08.95	100 5/32	100 7/32	8.45	8.40
15.01.97	99 25/32	99 27/32	8.54	8.48
15.05.00	102 14/32	100 16/32	8.50	8.44
15.02.06	106 18/32	106 22/32	8.60	8.55
15.05.20	102 29/32	102 30/32	8.48	8.42

Source: Salomon Inc.

U.S. Consumer Rates — June 22

Tax Exempt Bonds	
Bond Buyer 20-Bond Index	7.54 %
Money Market Funds	
Donoghue's 7-Day Average	7.67 %
Bank Money Market Accounts	
Bank Rate Monitor Index	6.01 %
Home Mortgage, FHLB average	10.16 %

Source : New York Times.

Signs of Economic Strength Depress Bonds

United Press International

NEW YORK — Treasury bonds slipped last week as indicators showed more economic strength

U.S. CREDIT MARKETS

than had been expected, making it unlikely the Federal Reserve Board would push interest rates lower.

Investors also were concerned about a potential oversupply of Treasury and Resolution Trust Corp. securities in coming weeks.

The market bellwether, the 30-year bond due in May 2020, fell to 102 29/32 from 103 18/32 a week earlier. That pushed its yield to 8.48 percent, up from 8.42 percent the previous Friday.

Long gone is the enthusiasm for fixed-income investments that was seen after the government announced June 13 that retail sales fell off sharply in May to the lowest levels since February. That suggested the Fed would push down rates to help the economy.

A surprisingly strong industrial-production report June 15 dashed those hopes. More evidence of economic strength came last week. First-quarter gross national product growth was revised upwards to 1.9 percent, from 1.3 percent. May durable goods orders rose by a strong 3.9 percent.

"There's some disappointment in the market that the Fed's not going to be easing near term," said Stephen Gallagher, Kidder, Peabody & Co. money market economist.

EUROBONDS: *Issues to Wane*

(Continued from first finance page)

invested, the reasonable pricing on new issues and some concern by investors that if the United States slips into a recession and if Germany manages union as smoothly as it expects, current yields might represent a significant buying opportunity.

The highlight of the week was the jumbo issue from Italy of 1 billion European currency units. The seven-year paper carried a coupon of 10.375 percent and was offered at a price of 99.875 to yield investors 10.40 percent — about four basis points more than the yield on Italy's outstanding 10-year Ecu bonds and about 20 basis points over the yield on comparably dated French government Ecu paper.

The new paper ended the week trading 15 basis points above the issue price.

This week, the French Treasury is to auction 450 million to 550 million Ecu of the 9.5 percent bonds due in 2000, of which 494 million Ecu are already outstanding.

The dollar market also saw two jumbo issues last week — $1 billion from First Chicago Corp. and $1.25 billion from Citicorp's Standard Credit Card Trust. This was Citicorp's second foray marketing its credit-card receivables via a global bond issue offered simultaneously in the U.S. and international markets. These are registered securities requiring foreign investors to file forms with the U.S. Internal Revenue Service in order to receive interest payments free of withholding tax.

Credit Suisse First Boston, which arranged both of last week's global issues said 30 percent to 40 percent had been placed with investors outside the United States.

But competing underwriters said they doubted the accuracy of that statement. These investment bankers reported considerable investor resistance to filing IRS forms, some discomfort with the concept given the possibility of a U.S. recession and a dislike of the "soft" maturity date on the two issues.

First Chicago's paper was offered to yield 80 basis points over U.S. government securities and to mature on June 15, 1990. But if the cash flow to the trust holding the receivables and selling the notes does not live up to forecasts the paper can be redeemed as late as December 1996.

Citicorp's offering, priced to yield 88 basis points over Treasury paper, is targeted to be redeemed in July 1997 but the legal final maturity is September 1998.

But the standard dollar straight bonds — $800 million for Denmark, $500 million for Italy's state railway Ferrovie dello Stato, $150 million for the Japanese city of Kobe, $250 million for Nippon Telegraph & Telephone Corp. and $150 million for Reed Publishing — were all well received.

Denmark's offering was a reopening of an existing issue, and the new paper was put up for auction to the lowest bidders, with three securities firms Salomon Brothers Inc., Goldman, Sachs & Co. and J.P. Morgan & Co. — getting 74 percent.

In addition to the heavy volume in the fixed-coupon market, last week also saw a heavy flow of floating-rate issues designed to appeal to investors who are worried about a rise in interest rates.

WALL STREET REVIEW

Figures as of close of trading Friday, June 22.

NYSE Most Actives

	Vol.	High	Low	Last	Chng.
AT&T	130426	44⅛	41¾	42½	— ¼
AmExp	94875	31⅛	29⅝	30½	— ⅝
PhilMr s	92194	46⅞	42¾	44⅝	+ ¾
Boeing s	63959	68⅛	57	57⅝	—2⅝
OccPet	63814	26⅞	25¼	25⅝	—1⅝
IBM	61501	120¾	116¼	116¼	—4⅛
GenEl	58124	71⅛	69	69⅝	— ¾
Upjohn	54543	42⅝	39⅝	40⅝	+ ¼
Citicorp	51131	23⅝	22¼	22⅝	—1⅛
FdNM s	50692	41⅜	39⅞	39⅞	—1¾
Chryslr	50259	16¾	15⅛	16⅝	+1¼
BrMySq	49672	63⅝	60⅝	61⅝	— ¼
Baxter	47124	25⅜	24⅝	25	— ⅛
Exxon	44897	49	47⅛	47⅝	
DowCh s	44433	63¼	60⅝	61	—2
Bevrly	43635	6	4⅝	5⅞	+1
Unitel s	43351	40⅞	38	38⅝	—1⅝
AbtLab s	42912	41	38½	40⅝	+1½
GnMotr	41437	50¼	48	48	—2¼
CocaCl s	40892	45	43⅛	43⅝	—1⅝
McDonl	38781	36	33½	34¼	—1⅛
CdnPc g	38563	18⅛	17⅝	17⅝	— ⅜
Motorla	37569	88⅞	84⅛	86	— ⅝
duPont s	37532	39¾	37⅝	38	—2
Varity	37446	3¼	3	3	— ¼

AMEX Most Actives

	Vol.	High	Low	Last	Chng.
Hilhov n	67794	1¾	1	1¾	+ ⅜
FruitL	39122	13½	11¾	11⅞	—1½
BAT In	16496	11⅞	11⅛	11⅞	
ENSCO	14851	4⅝	4¼	4¼	— ¼
Amdhl	14150	15⅝	14⅝	15⅝	+ ¼
SNk I93wt	10808	8⅝	6¾	8¾	+1⅞
DowC rt	10710	11	10⅝	10⅝	— ⅜
Dk Nk wt	9950	9⅝	7¾	9⅝	+1¾
Diasonc	9337	3⅝	3⅛	3½	+ ¼
EchoBy	8561	12⅝	11⅞	12¼	+ ½
CalEng	8356	8⅝	7⅞	8⅝	— ⅛
CornCr	8275	24⅝	23⅝	24¼	— ¼
NY Tim	7816	26	23½	24⅝	+ ⅝
AT&E	7735	23⅝	20⅝	22⅞	+ ⅝
WDigitl	7508	14⅛	13¼	13¼	—1
A-mo sc	6887	22⅛	19¼	21	+ ¾
SNk I93wt	6684	9¾	7¾	9¾	+2⅛
EksNk wt	6189	3⅝	2¾	3⅝	+ ⅝
WangB	6143	4⅝	4¼	4¼	— ¼
ContAir	6118	7	6½	6½	— ⅜
Telesph	5925	4⅞	4⅛	4⅝	— ⅝
BelrPh	5573	7	5¾	5⅝	—1⅛
Atari	4919	5¾	4⅞	5½	+ ⅜
Hasbro	4891	19¼	18¾	18⅞	
Alza	4768	43⅝	41⅛	43	+1¼

NYSE Sales

	Sales Vol.
Total for week	716,960,000
Week ago	776,468,000
Year ago	842,430,000
Two years ago	854,970,000
Jan 1 to date	18,960,915,000
1989 to date	20,392,460,000
1988 to date	21,235,970,000

AMEX Sales

	Sales Vol.
Total for week	62,430,000
Week ago	58,050,000
Year ago	64,050,000
Jan 1 to date	1,700,810,000
1989 to date	1,168,850,000

NYSE Diaries

	This Wk	Last Wk
Advanced	654	1064
Declined	1270	838
Unchanged	278	290
Total Issues	2202	2192
New Highs	97	105
New Lows	118	90

AMEX Diaries

	This Wk	Last Wk
Advanced	286	433
Declined	509	363
Unchanged	196	201
Total Issues	991	997
New Highs	39	61
New Lows	73	56

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	0.75	1,920
	0.50	1,280
	0.25	640

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DOLLAR: *Currency Fears Aid Overseas Investment*

(Continued from first finance page)

divided on what direction the dollar will take the rest of this year.

But it looks as though the variables favor a weaker dollar, although there is no expectation of a collapse.

Those who feel the United States economy is slowing while West Germany's and Japan's continue to grow, expect the dollar to fall against marks, yen and other currencies.

With moderating growth in Japan and low inflation, and with stronger growth in West Germany, these economies are more attractive than a slowing United States with inflation stubbornly holding around 5 percent.

If the Federal Reserve Board decides in the next few months to lower interest rates because the economy is growing too slowly, the dollar's decline could quicken.

Analysts already expect the West German Bundesbank to raise interest rates later this year to curb any inflationary spurt from the economic union of the two Germanys. This would make the mark more attractive to investors.

The dollar, which now commands 1.6802 DM, could drop to 1.50. Now worth 154.90 yen, it could fall into the 140s by some estimates.

This view of a weakening dollar gives investors a fairly attractive opportunity.

Some analysts expect the Tokyo stock market, as measured by the Nikkei 225 Index, to rally to between 35,000 and 40,000 by the end of the year, a remarkable rebound from the 30 percent decline in the first months of this year toward the 28,000 mark and the current level of 31,694.57.

The market in West Germany, which has fallen about 10 percent since reaching a record high at the end of March, does have the potential to recoup or even move higher if the jitters about monetary union subside after the two German economies are unified in July.

This major European market has offered the smallest boost from foreign-exchange rates so far this year.

DUBLIN: *Issue of Aid to Soviet Union Tests EC Unity*

(Continued from page 1)

that she might lash out in Dublin. But the consensus among officials is that she will not do so.

"She will let things go because she doesn't believe it will amount to anything in the end," a European official said.

Although setting the date for the intergovernmental conferences will have symbolic significance, it is little more than a procedural matter and will be achieved with "little or no debate," a European government official said.

"The Irish will settle for an easy success," he said.

Officials said there was little of substance to discuss on monetary union, although the British might want to highlight their alternative proposals recently outlined by John Major, chancellor of the Exchequer. These include the creation of a "hard" European currency unit that would circulate alongside the existing national monies.

The first phase of monetary union is to begin July 1, when the Community is to end controls on capital movements and increase consultation on national economic policies. Then, at times to be decided by their governments, Britain, Portugal and Greece will add their currencies to the Exchange Rate Mechanism of the European Monetary System. The intergovernmental conference is to decide future phases.

Expect for Britain, the Community members favor the creation of a central bank and a single currency to replace the national units.

The 12 countries are also to lift internal trade barriers by the end of 1992.

On political union, several officials said they were disappointed that more preparatory work has not been completed and said there would be little of substance to discuss at the summit meeting.

But the officials insisted that achievements toward substantial unity on foreign policy issues will be the real mark of how much the meeting accomplishes.

Most vital among those issues will be the Soviet aid package and security arrangements spanning Eastern and Western Europe to be negotiated at the Conference on Security and Cooperation in Europe at the end of the year.

The 12 leaders also are to touch upon the Middle East and may signal a slight softening of the EC position toward South Africa, though they will not lift the economic embargo imposed to protest the government's apartheid policy of racial separation.

But the question of aid to the Soviet Union has steadily moved to the top of the agenda and is likely to be the single most important and controversial subject raised, said the officials.

Chancellor Helmut Kohl of West Germany and President François Mitterrand of France have called on their EC partners to consider providing economic assistance to the Soviet Union. Some, including Britain, are not opposed to the idea but urge caution.

"We must recognize that the Soviet Union is a rich country, but that it is badly mismanaged," a British official said. "We will impress on the council that it is important that we not throw money down the drain."

An EC official said Jacques Delors, president of the EC Commission, would outline proposals for a Soviet assistance package, ranging from emergency loans to help in training, for the leaders to discuss.

But he maintained that he did not believe there had been sufficient preparation for the leaders to adopt specific actions.

A French official said, "We know this will demand reflection and wide-ranging debate, but we should be able to reach agreement in principle at least."

Despite the range of potentially controversial subjects on the agenda, the officials expect an unusually harmonious meeting. Barring surprises, the only potential barrier could be French insistence that the status of Strasbourg as the seat of the European Parliament be confirmed. There has been some pressure — not least from members of the European Parliament — to relocate the operations to Brussels.

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1. **Rapports du Conseil d'Administration et du Réviseur d'entreprises.**
2. **Approbation du bilan et du compte de pertes et profits au 31 mars 1990, affectation du résultat.**
3. **Décharge à donner aux Administrateurs.**
4. **Nominations statutaires.**

Aucun quorum n'est requis pour les points à l'ordre du jour de l'assemblée générale annuelle et les décisions seront prises à la majorité des actions présentes ou représentées à l'assemblée.

Pour être admis à l'assemblée, les propriétaires d'actions au porteur sont priés de déposer leurs actions cinq jours francs avant l'assemblée aux guichets de la Banque Internationale à Luxembourg, 2, boulevard Royal, Luxembourg ou auprès de la Banque Arabe et Internationale d'Investissement, 12, Place Vendôme, 75001 Paris.

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Note : CLOSING DATE FOR RECEIPT OF OFFERS IS JULY 8, 1990

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, June 22.

	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
A							
A&W Bd			3563	34½	32½	32¾	—1½
ABS	.32	3.8	83	8½	8	8½	+ ½
ACC Cp	.16	1.2	1060	14	13	13¼	— ⅛
ADC			1462	22¾	21	21	—1¼
ADT			7230	33⅛	32⅝	32½	— ⅞
AEL			594	6	5	5½	+ ⅜
AEP s			74	15¼	14½	14½	— ¼
ASK			5370	9⅛	8⅝	8⅝	— ⅛
AST			18624	23¾	21¾	22	—1¾
AarnRt	.10	1.0	478	10	9¾	10	+ ⅛
AbingB	.16	3.6	131	4½	3¾	4½	+ ½
Abrams	.20	4.1	20	5	4⅞	4⅞	— ⅛
Acadin			4706	1⅛	1	1⅛	—
Accel	.05e	.7	218	7¼	6⅝	7¼	+ ⅝
Aclaim s			16268	14¼	12⅝	13⅝	— ⅝
Acl wtB			1077	4½	3¾	4⅜	
Aceto	.14b	1.0	101	14¼	13	13⅝	— ⅜
ACMT			4	12	12	12	
Acmt a			12	10¾	10¼	10¾	+ ½
AcmeSt			200	16½	15¾	16½	— ¼
ActARt			845	7⅝	7¼	7⅝	
ActnSv	.32b	12.8	62	2½	2	2½	
ActAuSt			471	1½	¾	⅞	— ⅛
Acxiom			869	22	20½	22	+1⅜
AdacLb	.04l		7707	1⅞	1⅝	1⅝	— ⅛
Adage			452	1⅛	⅞	⅞	— ⅜
Adapt			22539	18¾	16	17⅜	—1⅜

	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
Blotch			203	4⅛	3⅞	3⅞	— ⅛
BioTInt			306	3¾	3⅜	3⅝	+ ⅛
BirdCp			108	11⅞	11½	11½	
Birtchr			192	5¼	4¾	5¼	+ ⅜
BizMrt			2902	16¾	14⅞	16⅛	— ¼
BlackH	.30e	2.8	33	11	10⅝	10⅝	
Blao			6	2⅝	2½	2⅝	+ ⅛
BlisLau			30	5½	5½	5½	
BlocDv			13105	13⅜	11¾	12⅝	— ⅜
BlckD	.70b	2.0	1108	35¼	34⅝	35	
BRdg un			16	11½	10	10⅝	—1⅛
BoatBn	2.12	6.3	3673	34	32⅞	33½	+ ⅞
BobEvn	.26b	1.8	18246	14¼	12⅞	14⅛	+1
Bogert			146	12⅞	12⅞	12⅞	+ ⅛
Bohema	.20b	1.2	643	16¼	15¾	16¼	— ⅛
BonvIP			2248	6¼	6¼	6¼	— ½
BooleB			1025	21½	19	21	+1¾
BoonEl			160	3⅝	2⅞	3⅝	+ ¾
Boral	.33r	6.1	20	5⅝	5⅝	5⅝	— ⅛
Borind			9977	21½	19⅞	20¼	—1¼
BostAc			149	25¼	24½	25½	+ ½
BostBc	.60	4.2	839	14⅝	14	14⅝	— ⅛
BstnDig			71	2⅞	2¾	2¾	— ⅛
BstnFB	.12i		4312	4½	3⅞	3⅝	— ⅜
BostTc s			7972	7⅝	6¾	7	— ⅜
BlvdBc	.48	3.0	64	17⅞	16	16	—1⅜
BradyW	.40	1.2	274	35	33	33	—2
Brantre	.36	6.5	367	5⅞	5¼	5½	— ¼
Braids			20	3	2¾	3	
Brand			2171	35½	33¼	34	—1½
Brandn	.24	2.5	191	10½	9¾	9¾	— ¾
BrnldSv	.15l		61	6½	6¼	6¼	— ⅜
Brkwt g			1296	1¾	1¼	1⅜	— ⅞

(Continued on next page)

Latin Nations Unveil Debt Payment Strategy

The Associated Press

CARACAS — Latin American and Caribbean countries have announced a common strategy for reducing by 75 percent their annual payments on the region's $440 billion foreign debt.

The strategy was approved Saturday at the end of a ministerial meeting of the 26-member Latin American and Caribbean Economic System, known as SELA.

SELA countries last year paid out more than $40 billion to service their debts, according to the organization's permanent secretary, Carlos Pérez del Castillo.

The enormous payments have stifled the countries' development efforts. Since the onset of the region's debt crisis in 1982, economic growth for the hemisphere has declined by 10 percent.

By reducing annual debt payments to $10 billion, the region could regain its footing and see its economy grow by about 5 percent a year, commensurate with its economic progress in the 1960s and 1970s, said Mr. Pérez del Castillo.

The proposal encompasses the money that the countries owe to banks, multilateral lenders such as the World Bank and the International Monetary Fund and to governments outside the region.

The proposal suggests several ways of achieving the 75 percent reduction target:

- Debt-reduction schemes, following the initiative of U.S. Treasury Secretary Nicholas Brady, under which lenders are encouraged to forgive portions of debts in exchange for promises that the remainder will be paid off.
- Reduction of interest on loans to below-market rates.
- Direct debt buybacks from secondary markets, where some countries' debt is sold at discounts as high as 89 percent.
- Debt bonds with a minimum 35-year maturity.

The proposal will be presented to the governments of the Group of Seven leading industrial nations that is scheduled to meet in July.

Peru, whose president-elect, Alberto Fujimori, is planning to visit Washington this week, is trying to return to the international financial community after five years of isolation.

Drop in Gold Hits South Africa

By Allister Sparks
Washington Post Service

JOHANNESBURG — The steady fall in the price of gold, which has dropped from more than $400 an ounce in March to less than $350, is putting a severe squeeze on the world's leading producer, South Africa.

Noting that more than half of South Africa's gold is now being mined at a loss, Johan Liebenberg, senior general manager of South Africa's Chamber of Mines, describes the country's mining industry as being in a "critical situation."

According to the chamber, 22 of South Africa's 41 longstanding mines are losing money, and as the big mining houses prepare to shut down uneconomic shafts, tens of thousands of mostly black miners are being let go.

Typical of many is the situation facing Anglo American Corp.'s Freegold, the world's biggest mining complex, which employs 110,000 workers. The company estimates it is losing 100 rand (about $37.75) on each ounce of gold.

The effect of the gold slump is hitting the national economy as well. Gold is by far the most important element in the South African economy, and it is estimated that every $10 fall in the gold price costs the country 500 million rand a year in foreign exchange earnings.

This will affect the country's ability to repay its foreign debt and keep the exchange rate of the rand depressed, adding to an inflation rate that is already running at about 16 percent.

> 'South Africa's golden past is receding, and ahead lies the difficult transition to modernity.'

The combined effects of rising unemployment and increased inflation also pose a threat of further social unrest in a country already in a state of tension as President Frederik W. de Klerk begins negotiations with black leaders for a new national constitution.

The South African gold industry has been declining for some years. South Africa's share of overall Western gold production has shrunk from 70 percent to 37 percent.

Employment in the gold mines has fallen from 534,255 to 479,874 since 1986 — a decline of 54,381 workers.

Tom Dale, a gold specialist in a Johannesburg brokerage, calculates that at current prices South African production will shrink from 608 tons a year to 450 tons by the end of 1991.

Projections like that prompted South Africa's leading financial newspaper, Business Day, to warn recently that "an historic watershed" has been reached.

"South Africa's golden past is receding, and ahead lies the difficult transition to modernity," the newspaper said in an editorial, indicating that the country would have to enter a tough new phase of industrial diversification that would require stricter discipline on the part of both capital and labor.

One of the problems facing the shrinking gold industry here is what to do with uneconomic mines.

Putting a deep-level mine in mothballs is a costly business, since extensive maintenance work has to be continued to keep it safe for possible future use.

Some economists are suggesting, however, that if some of the uneconomic mines are closed, South Africa's reduced production will send up the price of gold, making other mines more profitable and preventing overall foreign exchange earnings from the industry from being significantly reduced.

South Africa Seen Near Recession

Agence France-Presse

JOHANNESBURG — The South African economy is cooling faster than expected, and some sectors are experiencing full-scale recessionary conditions, said Johan Louw, chief economist with the finance company Sanlam.

In the company's latest economic review, released to the media Sunday, Mr. Louw said he expected total real domestic spending on goods and services to decrease by 2 percent to 3 percent this year.

"Although this points to a marked weakening in general economic activity, the downturn will not be as severe as in 1985, when real gross domestic expenditure fell by almost 8 percent," he said.

He said he also believed that the foreign sector would perform well enough to provide the economy with a small positive real economic growth rate of 0.5 percent for 1990. Last year the growth rate was slightly more than 2 percent.

More optimistically, Mr. Louw predicted that the year-on-year inflation rate, which has dropped from 17 percent last July to 13.9 percent in May, would continue to fall.

But he cautioned that the downturn in the economy could last until mid-1991 and predicted that interest rates would be kept at their current high levels longer than necessary to bring about the desired cooling of the economy.

BUSINESS BRIEFS

Soviet Oil Exports Fell in 1989

WASHINGTON (AP) — Soviet oil exports dropped nearly 10 percent last year and U.S. officials say they are worried about possible disruptions of supply to Eastern Europe and shortages for Soviet residents.

U.S. specialists say the decline is almost equal to the drop in Soviet oil production, which they attribute to aging oil fields whose yields are declining, wells that became waterlogged because the Soviets tried to increase production by forcibly injecting wells with water and a lack of funds for explorations of new offshore and Arctic Circle fields. Recent labor and ethnic unrest have also disrupted oil production.

Citibank Plans to Expand in Japan

TOKYO (Reuters) — Mitsubishi Bank Ltd. of Japan and Citibank have agreed to cooperate in expanding the American bank's presence in Japan, Kyodo News Service reported Saturday.

Mitsubishi, Japan's fourth-largest bank, has offered to rent to Citibank half of its total office space in its branch office in Osaka, Kyodo said. Mitsubishi is also considering renting to Citibank additional space in 10 other branch offices in the Tokyo and Osaka regions, the report quoted Japanese bank officials as saying. Citibank already has nine branches in the Tokyo and Osaka areas.

Kyodo said the two banks were also considering joint business expansion in the United States, but gave no details.

Oil Shipper May Avoid U.S. Ports

HONG KONG (Reuters) — Hong Kong's Worldwide Shipping Agency Ltd., among the world's largest shippers of crude oil and oil products, may halt shipments to U.S. ports to avoid oil spill liability, a company official said.

"It's very probable it could come to that," said Richard Allen, a director at Worldwide. "We have taken no final decision, but it is under serious consideration."

Royal Dutch Shell Group earlier this month decided to stop crude shipments to U.S. ports by its own vessels for fear of oil spill liability. And the French state-controlled oil company, Société Nationale Elf Aquitaine, said Friday that it would stop crude shipments to U.S. ports by one of its tankers.

Banco Central Plans to Raise Capital

MADRID (Reuters) — Banco Central SA said it plans to raise 3 billion pesetas ($29 million) through the conversion of bonds into 6 million new shares, Chairman Alfonso Escamez said.

Mr. Escamez said at least 50 percent of the holders of a 49 billion peseta bond issue last year were expected to exercise a right this month to exchange them for new shares and the remainder to convert them into existing stock.

The bank also announced Saturday that its 1989 pretax profit rose 48 percent, to 67.34 billion pesetas.

Union Says Hitachi Fired Over 1,000

KUALA LUMPUR (Reuters) — Hitachi Consumer Products, a Malaysian unit of Japan's Hitachi Ltd., has fired more than 1,000 workers for taking part in an illegal strike, union officials said Saturday.

The workers were dismissed Friday after a four-day strike last week to protest the dismissal of eight colleagues who had tried to form a union, said P. Arunsalam, an official of the Electrical Industry Workers' Union.

For the Record

Nissan Motor Co. has signed a contract with Cray Research of the United States to purchase the latest model of its supercomputer for $22 million, industry sources said Sunday. (AFP)

Iraq signed a $500 million contract to buy five passenger planes from the European consortium Airbus Industrie, an Iraqi Airways director said. (Reuters)

South African Airways, the national carrier, will soon be able to fly over black Africa after a 26-year ban, its chief executive said Sunday. The Johannesburg Sunday Times said that within a year SAA will be flying the most direct route to Europe, over Zimbabwe, Zambia, Zaire, Sudan and Egypt. The airline is now forced to fly around those countries, drastically increasing its flying time and fuel bills. (AFP)

Foreign Advisers: Going Abroad for Fresh Ideas

By Claudia H. Deutsch
New York Times Service

NEW YORK — A couple of weeks ago, Tenneco Inc.'s directors flew to Europe.

First they held their regular board meeting. Then they held a meeting of an entirely different sort: They brainstormed about economics, about markets, about products, about all kinds of things with the chief executive of Switzerland's F. Hoffman-La Roche & Co., the chairman of West Germany's Ruhrgas AG, and a half-dozen other distinguished European businessmen who sit on Tenneco's European Advisory Council.

"It was time for the board to get a global perspective on evolving events in Europe from people who know what's going on," said Thomas J. Slocum, Tenneco's executive director of corporate communications.

More and more American companies are turning to councils of foreign dignitaries to ensure that directors and corporate executives alike are not taking a parochial view of other cultures and economies.

At least 300 companies list such councils in annual reports.

Experts say that probably four times that many have them, and that, with Eastern Europe in turmoil and with a united European Community scheduled for 1992, more are being formed each day.

"What better way to figure out what is going to happen in Europe than to bat ideas around with people who are there?" asked Robert K. Mueller, author of "The Director's and Officer's Guide to Advisory Boards."

Executives are no more willing to divulge what their international advisers tell them than they are to repeat directors' conversations, so examples of the councils' worth are hard to come by. But they definitely bring to the table perspectives that directors, staff expatriates or foreign nationals on payroll cannot — or will not — provide.

"There is no question that our advisory council has helped us develop a strong commercial presence in Europe," said Donald R. Beall, chief executive of Rockwell International Corp., who last month flew to Europe to meet with such eminent advisers as Umberto Agnelli, Fiat's vice chairman; Jacques Mayoux, vice chairman of Goldman Sachs Europe, and Emile van Lennep, minister of state of the Netherlands, before taking a swing through Eastern Europe.

Advisory councils have many advantages over boards of directors. Among them:

- They are not decision-making bodies, so their members need not worry about liability exposure, and are less likely to temper their comments out of fear.
- They do not have to review budgets, worry about succession planning or handle other fiduciary duties, so they can devote full time to the sort of broad issues that can have enormous impact on a company's future as a global competitor but that rarely make it onto board meeting agendas.
- They rarely meet more than a couple of times a year, and they generally meet overseas. This means that they can attract high-level people who want the exposure to American companies and culture — and, of course, the honorariums they get on a council — but might be unwilling to make the time and travel commitment that serving on a regular board can entail.
- These high-level people often provide companies with invaluable contacts when they are looking for joint-venture partners or for better distribution networks.

"The councils' role is clearly complementary to that of management and directors," said William C. Turner, a former U.S. ambassador to the Organization for Economic Cooperation and Development, who has helped about a dozen companies create advisory councils.

"In that sense, they begin where the board leaves off."

Taiwan Capital Outflow Boosts Payments Deficit

Reuters

TAIPEI — A jump in capital outflow may give Taiwan a record balance of payments deficit of $5 billion this year, economists and officials said Sunday.

The first-quarter balance-of-payments figure, released Saturday, showed a deficit of nearly $1.9 billion, compared with a surplus of $1.58 billion in the first quarter of 1989.

A Central Bank economist said the first-quarter figure was a record. He said deficits would increase because of the rise in capital outflow. In the past few months expectation of a currency depreciation has grown, fueling the outflow.

First-quarter current account figures released by the Central Bank showed the trade surplus declined to $2.03 billion from $2.72 billion as imports increased faster than exports.

But that surplus was more than offset by a 189.73 percent increase in capital outflow, to $3.7 billion.

A Central Bank statement said the large increase in capital outflow was fueled by outward investment and a strong expectation among speculators that the Taiwan dollar would depreciate.

Bankers estimate capital outflow so far this year at more than $9 billion, higher than last year's record $8.25 billion.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, June 22.

(Continued)

	Sales in 100s	High	Low	Close	Net Ch'ge
[illegible]					

CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, June 22.

Option & price		Calls		Puts	
		Jul	Aug	Jul	Aug
[illegible]					

Total Volume: 356,444
Open Interest: 4,209,841
r—Not traded. s—None offered. o—Old.

AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, June 22.

Option & price		Calls		Puts	
		Jul	Aug	Jul	Aug
[illegible]					

Total volume: 158,436
Open interest: 2,271,896
r—Not traded. s—None offered. o—Old.

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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WORLD STOCKS IN REVIEW

Via Agence France-Presse

Amsterdam

Stocks marked time last week, with prices ending little changed on low volume trading.

The CBS all-share index closed on Friday at 198.70, up slightly from 198.00 the week before. Total turnover reached 5 billion guilders, of which 2.7 billion was in equities. A week earlier, volume was 6.3 billion guilders with 2.8 billion in equities.

Frankfurt

Investors dropped their wait-and-see attitude last week, prompting the Frankfurt market to register good gains on substantial volume.

The DAX spot trend indicator rose by 80.66 points on the week to finish at 1,872.92. The Commerzbank index added 98.5 to close at 2,286.2. Volume on the eight West German stock exchanges totaled 43.44 billion Deutsche marks. That compared with 31.1 billion DM the previous week, which had one less trading day.

Hong Kong

Cautious optimism ruled the bourse, with the Hang Seng gaining 48.92 points since Tuesday — a 1.53 percent rise — in rampant trading.

Business was cut short by a holiday Monday, and a good start Tuesday persisted until Friday. The Hang Seng index closed at 3,250.44. Average daily turnover surged to 2.2 billion Hong Kong dollars, up from 1.9 billion dollars the previous week.

London

Shares fell early in the week, although a partial recovery on Friday cut Monday's loss in half.

The Financial Times 100-share index closed down 13.8 points on the week at 2,378.5, as inflationary indicators such as the form of public-sector debt and unit wage-cost data damped the previous week's euphoria. The Financial Times-30 share index closed down 12.9 points on the week at 1,913.

The climb to above 2,400 on the FT-100 points the previous week came on the back of hopes for the pound's early entry into the European Monetary System's Exchange Rate Mechanism. The government still stresses that Britain's inflation differential must be closer to the European average before entry, and experts concluded that the week's economic pointers taken with the 9.7 per cent annual inflation rate suggest such a scenario is still some way off.

Milan

The Milan exchange broke a seven-week winning streak because of a sharp conflict between employers, who denounced wage-indexation arrangements, and unions, which responded by calling a general strike for July 11.

This drove the MIB index down by 1.52 percent on the week, from 1,106 the previous Friday to 1,089 at the end of the week. The Comit index dropped by the same percentage, from 757.57 to 746.03. Volume was also lower, at 62 million shares a day on average against 105 million the previous week.

Analysts said that in addition to the labor conflict, the Milan market also suffered from some profit-taking after from its long winning streak.

Paris

The Bourse scored a moderate rise of about one percent on the week, as the CAC-40 stock price index finished Friday at 2,031.73, against 2,011.87 the previous Friday.

Earlier in the week, the trading mood was somber because of the government's stronger emphasis on leftist policies, worries about the trend of European interest rates in connection with German economic and monetary union, and disappointing reports issued by some industrial groups.

Singapore

The market closed the week mixed in lackluster trading with share prices moving in a narrow range.

The Straits Times industrial index crept up 1.09 points to end the week at 1,532.38, while the Stock Exchange of Singapore's All-Singapore index slipped 1.81 points to 431.00.

Turnover for the week shrank to 202.6 million shares valued at 556.6 million Singapore dollars, from the previous week's 255.3 million shares worth 647.6 million dollars.

Tokyo

Share prices fell further in extremely thin trading last week.

Investors retreated to the sidelines amid worries about rising short-term interest rates and approaching international events, including German monetary union and the Soviet Communist Party congress in early July.

The 225-issue Nikkei Stock Average fell 843.83 points on the week, or 2.6 percent, to close at 31,694.57, following a 454.89 point decline the previous week.

It was the first time since May 22 that the key indicator dropped below the 32,000 yen level.

The composite Tokyo Stock Price Index, including all common stocks listed on the market's first section, fell 55.26 points to end the week at 2,341.06 after falling 15.46 points the week before.

Zurich

Stock prices marked time last week. The only highlight was the announcement of a takeover of Jacobs Suchard, whose stock rose sharply, by Philip Morris of the United States.

The Swiss Performance Index finished the week at 1,189.3 points, against 1,186 a week earlier. The Crédit Suisse indicator closed at 663.8 against 659.8 a week earlier, and the Swiss Bank Corp. index at 677, down half a point on the week.

CAREER OPPORTUNITIES

WWF World Wide Fund For Nature

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- Finance Director (CFO): with MBA or equivalent degree, and demonstrated success in international financial management;
- Program Director: with Ph.D. or equivalent in program-related field (education or social science) and extensive experience on international youth issues;
- Development Director: with excellent experience in developing, coordinating and in-house implementation of major international fund-raising strategies that includes corporate, foundation, individual, and government donors;

Application procedure: indicate interest to IYF in writing, sending letter and Resume to the attention of:

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Tokyo's fast-paced urban sprawl belies the fact that 400 years ago it was the site of Edo, a peaceful, sophisticated collection of vast estates. Some 60 percent of Edo — 90 percent in areas adjacent to today's Imperial Palace (formerly Edo Castle) — belonged to *samurai* warlords.

Today, only traces of these grand estates remain, and many other vestiges of Tokyo's past have been lost in one or another of the conflagrations or disasters that have periodically destroyed the city. Fortunately for international travelers to Japan's capital, however, much of Japan's rich cultural heritage can nevertheless be experienced on even the busiest business trip. An introduction to Tokyo is available in Edward Seidensticker's two-volume account of the city's history, *Low City, High City* and *Tokyo Rising*.

Tranquil gardens provide calm in the heart of Tokyo

Nearly 400 years ago, about a century before the last eruption of Mount Fuji, the first *shogun* made Edo Japan's capital and Edo Castle his home so he could control the northern parts of Japan better and consolidate his power. The emperor, in whose name the *shogun* ruled, remained a figurehead in Kyoto.

In 1868, the Meiji government confiscated the estates and laid out government offices and barracks in their place. Many of Tokyo's finest hotels, gardens and parks are situated where Edo once was, as are a number of the city's nearly 200 universities.

The 10-acre (4.04-hectare), 400-year-old garden of the New Otani Hotel and Tower is one example of this mingling of past and present in Tokyo. Initially part of the Kiyomasa Kato (1562-1611) estate even before the Edo era and later owned by the powerful Ii clan, this oasis of tranquility can transport the visitor back to the times of the 18th-century artist Hokusai.

While the garden will take guests back in time, the rooms in the original New Otani Hotel — now undergoing major renovations to be completed by March 1992 — will be equipped with futuristic technology (and will be almost double their former size).

The powerful *daimyo* house of Matsudaira and later the Meiji government once held title to the grounds occupied by today's Hotel Okura. A walk through the lobbies, halls and reception rooms of the Okura will reward the visitor with countless examples of how traditional Japanese motifs are as fresh today in a modern setting as they were in antiquity.

Convenience has always been part of the Okura tradition, and one of the hotel's more popular services with business travelers is its Okura Club International, which provides members with such amenities as reservation priority, the waiving of the registration procedure, full use of the facilities and services of the Okura's Executive Service Salon, and complimentary use of hotel pools and sauna. Membership in the club, while free, is based on the recommendation of an existing member or by invitation from the hotel. International business travelers who want to take advantage of the many OCI benefits for members can inquire at the OCI reception desk in the Okura's Executive Service Salon or at the hotel's overseas offices in Amsterdam, New York or Los Angeles.

For a convenient sampling of Japan's rich cultural heritage, one need go no farther than out the front door of the Okura's main building and into the Okura Shukokan Museum. This traditionally styled quake-and-fire-proof edifice was opened in October 1928, some five years after the original museum, founded in 1917 by Tsuruhiko Okura to preserve Japan's cultural heritage, was severely damaged in the Great Kanto Earthquake that leveled much of the city.

A complete remodeling of the structure was undertaken in 1962. Guests of the hotel can obtain free tickets from the hotel's customer service representative in the lobby of the main building. Exhibits at the museum usually change every three to four months, according to hotel spokesman Paul Murakami, and are generally classified by an art genre or historical period. From the end of June through August, Japanese paintings from the medieval and early modern periods can be seen. The museum is the designated repository for national treasures.

Nowhere is Tokyo's characteristic mixture of old and new more apparent than at the Takanawa Prince Hotel. The 1,000-room Takanawa Prince offers every modern creature comfort and convenience in a location that preserves the traditions of Japan's past. Standing in the hotel's spacious Japanese garden, once the property of the late Emperor Showa's cousin Prince Takeda, one can almost hear the wooden footwear of the past clacking on the smooth stone pathways that meander around ponds and past carefully pruned trees. The garden's authentic tea house, complete with six traditional Japanese rooms, can make guests forget they are in a city of 12 million.

The Tokyo Prince Hotel, near Tokyo Tower, rests on a site that once housed the mausoleum of the second *shogun*, Hidetada. The tomb was destroyed during World War II, and a new one was erected on a different site in 1958. The venerable Zojoji Temple is next door.

The Imperial Hotel, Japan's first Western-style hotel, built in 1890 then rebuilt in 1923 by Frank Lloyd Wright, is located on former Imperial Palace grounds. It was erected next to the Rokumeikan, a Western-style building designed by English architect Josiah Conder that served as a state guest house and later as the most fashionable partying place for ladies and gentlemen in the Meiji era. Other Conder-built structures in Tokyo include the Mitsui Club and Nicholas Cathedral.

In Shinjuku, the Keio Plaza Hotel and other high-rise buildings stand where a large water filtration plant was built in the late 19th century to combat a cholera epidemic. A few blocks from the Keio Plaza, on the other side of Shinjuku Station, is the historical Shinjuku Gyoen. For more than 280 years, part of this garden was on the private castle grounds of Edo feudal lord Naito, who started Shinjuku with a new *(shin)* lodging *(juku)* called Naito Shinjuku on the Koshukaido, one of the five main roads out of the city.

The garden, which encompasses an area of more than six million square feet (550,000 square meters), became state property in 1872 and was placed under the control of the Imperial Household Agency for the exclusive use of the imperial family. The present garden, completed in 1906 after five years of construction, was inspired by French garden designer Henri Martinet. It was the first garden in Japan to combine Japanese and Western designs and cultivation methods. Open to the public since 1949, today's Shinjuku Gyoen has more than 300 varieties of orchids, some 1,900 cherry trees and several hundred varieties of chrysanthemums.

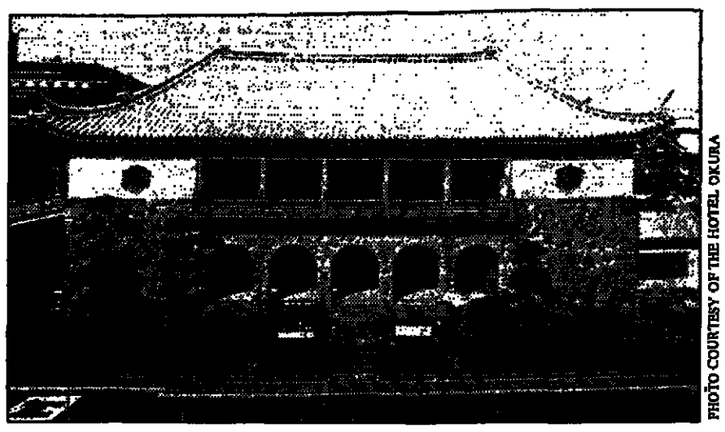
The cherry-viewing parties in the garden that have been popular since the times of the Shogun Hideyoshi Toyotomi in the late 16th century are being continued by the prime minister, who holds a party here each year. In the fall, chrysanthemum exhibitions are held; orchid exhibitions are held in the winter and Noh plays and tea ceremonies are also given. An indication of the importance of Shinjuku Gyoen in the warp of the Japanese cultural fabric is the fact that funeral services for the last two emperors have been conducted on the site.

Easily accessible from the Keio Plaza are the Meiji Shrine Outer Gardens with a large gallery depicting the lives of the Meiji emperor and empress in both traditional and oil paintings, which took some of Japan's finest artists as long as 22 years to complete. Yabusame, the traditional 18th-century art of shooting arrows from horseback at full gallop, is celebrated on October 10 every year in Toyama Park. For a comprehensive look at Shinjuku's place in Japanese history, the newly built Shinjuku Historical Museum is well worth a visit.

The power of the Matsudaira clan can also be seen in the Matsue area in the form of the Gessho-ji, a temple with seven gates of seven lords, each leading to a Matsudaira tomb. Outside the city is Kandean, the thatched-roof mountain tea house of a Matsudaira lord.

On June 5, a topping out ceremony was held for Japan's tallest skyscraper, the 48-story Tokyo Municipal Government building in Shinjuku, scheduled to open next April. With it will come another new chapter in Tokyo's ever-changing story.

Sage Ballard



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Tokyo's Okura Shukokan Museum, a repository of national treasures and art objects that date back to early Japanese and Chinese history: even busy travelers can experience Japan's rich heritage.

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SPORTS/THE WORLD CUP

Oldest Lion Roars in 2-1 Victory

Cameroon Beats Colombia As Milla Scores Both Goals

By William Gildea
Washington Post Service

NAPLES — The oldest Lion roared. Younger ones on the bench did the wave. Yes! Cameroon — *the Indomitable Lions and the joy* of the 1990 World Cup — did it again.

Roger Milla, 38, who came out of retirement in May, stunned Colombia in overtime Saturday with two goals for a 2-1 victory that advanced the irrepressible Lions to a July 1 quarterfinal match here with the winner of England-Belgium match on Tuesday.

No African team had ever before reached the quarterfinals of the Cup.

The soul and driving force of the team, Milla scored both goals in a 2-1 victory over Romania in the first round that followed Cameroon's even more shocking upset of defending Cup champion Argentina, 1-0. With nothing to gain completing first-round play against the Soviet Union, the Lions lost, 4-0.

But opening the knock-out second round, the Lions awakened.

"I'm very happy for myself and my companions," Milla said. His companions were happy when he unretired; their joy now knows no bounds.

After the match, several Cameroon players tossed their green jerseys into the stands among rejoicing fans.

Their Soviet coach, Valeri Nepomniachy, was asked if the Lions can keep winning. He rolled his eyes and shook his head and said something one would suspect was a typical coach's sidestep for an answer. But then came the translation into six languages and the English version of the Lion-keeper's reply was unmistakably optimistic, one might even say appropriately ferocious.

"Playing like this," he said, "I think we will continue."

This represents almost euphoria because Saturday four Lions — André Kana Biyik, Akem Ndip, Emile Mbouh and Jules Denis Onana — received their second yellow cards of the tournament, and so will be ineligible to play in the quarterfinal game next Saturday.

"This is a big problem for our team," Nepomniachy said. "But I think the substitutes will behave in just the same way as the team did today."

Neither team scored in the 90 minutes of regulation time. After a five-minute rest, two consecutive 15-minute extra periods began. Sudden death does not exist in World Cup soccer. It can be a slow, painful death.

Power off the bench, Milla entered the game early in the second half, according to him, "just the right time."

In the 106th minute, looking fresher than younger Lions, he broke between two Colombian defenders and blew the ball past René Higuita, known in his country as *"el Loco"* because he often strays far from the goal.

That's where Higuita was two minutes later, halfway to midfield trying to help Colombia regain a draw before the end of extra time. But that's also where Milla was. Inelegant as it may sound, but perfectly beautiful to behold, he picked Higuita's foot clean.

Milla had the run of his life straight for the open Colombian net, Higuita giving futile chase. The goalkeeper had no chance to overcome anyone with the heart of this lion.

■ 'I Made a Mistake'

"I made a mistake," Higuita said of Milla's second goal, Reuters reported.

"I told my teammates I was sorry and asked them for forgiveness but nobody blamed me," he said. "It was a mistake that everybody saw. It was very obvious," he said. "There's no point disguising it."

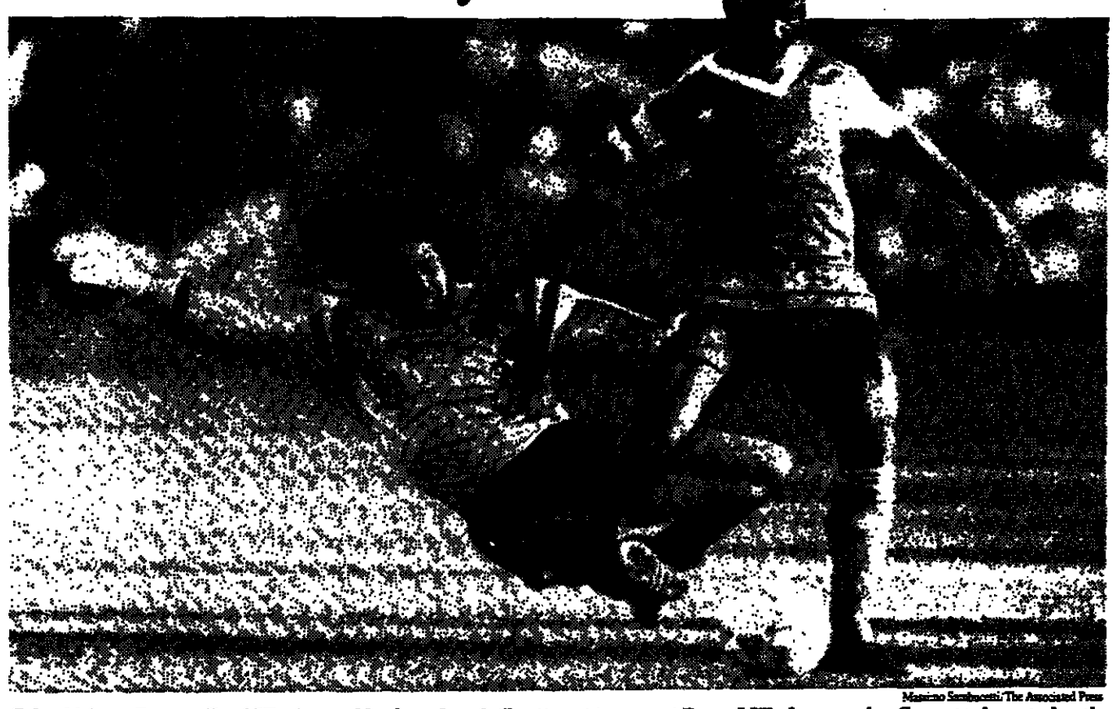
"Anyway, I won't change the way I play," he said of his adventurous style of playing goalkeeper. "I was always like that. I was confident — I always won playing that way.

"But today, I recognize I lost . . . "It had to happen one day and unfortunately it happened today."

Colombia's coach, Francisco Maturana, would not condemn Higuita.

"We didn't lose because of the mistake of one player but because of the errors of the whole team," he said.

Then, offering a mild rebuke, Maturana said: "We like to have a keeper who plays as a goalkeeper. Higuita has always played the way we want but it's human to make errors. This will be a lesson for him. But he's only 23 and I hope he will draw on the experience and have many more World Cups."



Massimo Sambucetti/The Associated Press

Colombia's goalkeeper, René Higuita, could only make a futile attempt to prevent Roger Milla from scoring Cameroon's second goal.

Skuhravy Heads a Czechoslovak Triumph

The Associated Press

BARI, Italy — Tomas Skuhravy is making a habit out of hurting teams from the Western Hemisphere.

First, Skuhravy scored twice as Czechoslovakia routed the United States, 5-1, in their World Cup opener. Now he has ended Costa Rica's first trip to the World Cup finals.

The powerful striker scored with three headers Saturday night — a first for the World Cup finals — to lead Czechoslovakia to a 4-1 victory over Costa Rica in a second-round game.

"The three goals I scored tonight are the most important so far in my career," Skuhravy said. "I like to score on headers. I think those goals are the most spectacular."

The victory propelled Czechoslovakia into the quarterfinals for the first time since 1962, when it made the final, but was beaten by Brazil.

Skuhravy, who took the tournament scoring lead with five goals, headed Czechoslovakia in front in the 12th minute, then also put in a header in the 63d minute after defender Ronald Gonzalez had tied it for the Central Americans in the 56th minute.

Lubos Kubik scored Czechoslovakia's third goal with a curling free kick in the 77th minute and Skuhravy rounded out the scoring seven minutes before the end.

The Czechoslovaks played quick, slick soccer for long periods, but were briefly jostled out of their stride early in the second half, when Costa Rica drew even in the match.

"We didn't expect to win this way," Czechoslovakia's coach, Jozef Venglos, said after the match. "I have to salute my players."

Costa Rica's coach, Bora Milutinovic, praised Czechoslovakia for a solid performance.

["We lost the match and I think it was right that we should lose," said Costa Rica's coach, Bora Milutinovic, United Press International reported.

["After we scored the goal, we thought we could win, but Czechoslovakia was able to come back and this had a great impact on my players. They started losing their spirit," said Milutinovic, who took Costa's Rica to its first appearance in the World Cup finals.]

Costa Rica, a surprise qualifier from Group C, played without Luis Gabelo Conejo, the goalkeeper who one of the stars of the first-round victories over Scotland and Sweden. He suffered a thigh injury in the Sweden game, but had been expected to play.

Milutinovic said, however, Conejo was in too much pain to play.

Hermidio Barrantes replaced Conejo and made several tough saves, but Costa Rica had trouble handling Skuhravy's powerful headers.

Referee Siegfried Kirschen of East Germany gave yellow cards to five players: Gonzalez, Hector Marchena and Czechoslovaks Jan Kocian, Frantisek Straka and Ivan Hasek.

Greg Bos/Reuters

Skuhravy rose above Hermidio Barrantes for one of his goals.

The False Tragedies And Real Cynicism

International Herald Tribune

TURIN — Soccer's inner cruelties can seem as devastating as those of life itself. It is a team game in which there will always be fall guys.

We see Scotland's goalkeeper, Jim Leighton, on his knees with remorse at his mistake that cost his country a place in the second round. We see Egypt's Ibrahim Hassan virtually carried off the field, drenched in tears, because his grand illusion is over. We see René Higuita, Colombia's goalkeeper, caught in the act of tomfoolery and, instead of praise for his eccentricity, he is castigated as the idiot got his nation eliminated.

Hold it. This is big business, it is bloated nationalism. In the theater of sport we expect competitors to take every step seriously. But please keep a sense of proportion. The World Cup, a TV extravaganza pulling in more viewers than man's first step on the moon, should never be described in headlines of "tragedy."

Rob Hughes

Real tragedy is being unearthed in countless numbers in Iran. Real tragedy brushes sport when a tiny nation like Costa Rica goes further than it could dream, but three citizens in San José die of heart attacks watching it on television, and six are seriously hurt in street celebrations marred by knifings and gunshots.

YES, THERE is living history here. Africa's drum beats louder than ever before at a World Cup. Cameroon has thrust a third continent into the last eight, and its pride will briefly uplift Africans everywhere.

What a wonderful, continuing saga Roger Milla, the old man of Cameroon's attack, is having. Called out of retirement at 38, he waits on the substitute's bench until his masters decide his time is ripe. In Naples on Saturday, he took the field when others grew weary and he scored two goals against athletes in their prime.

His first against Colombia was masterly athleticism and instinct. Receiving the ball outside Colombia's penalty box, he could see the glory before he enacted it.

Three Colombians thought otherwise. Luis Perea tried to lean on Milla and was shrugged aside. Luis Herrera attempted a ferocious tackle, but Milla hurdled the flailing shoe and never took his eye off the ball.

Now it was Milla against goalkeeper Higuita. No contest. From an angle where only pure goal scorers shoot, the aging Cameroon lion curled the ball with his left instep around the advancing Higuita.

And then we saw the boy in Milla. He sprinted to a corner flag and with a jiggle of his hips performed a celebratory dance the like of which sent fans of Elvis "the Pelvis" wild.

But Milla has been around long enough to know that one goal often arouses opponents. So he struck for another three minutes later.

What a predator. Like every other footballer, Milla has observed the antics of "*el Loco*" Higuita, who rushes upfield leaving his net at risk. Higuita usually gets away with it, and we chuckle at his audacity. The game would be drab without his kind. But the danger in showing off is that someone, someday will pounce. Milla moved like lightning when the goalkeeper was 40 meter from his nets. Higuita cheekily put a foot on the ball. Milla tackled strongly, and both men's faces told the story.

The Colombian, a sincere and sensitive individual transformed into arrogance on the field, gave chase with a look of anguished embarrassment. The Cameroonian, a serious man, glanced over his shoulder with a big, beaming smile before sweeping the ball into the unguarded goal.

The match was over. Colombia came back for a consolation goal, wonderfully carved out by its "peroxide Gullit," Carlos Valderrama, but it is Cameroon that lies in wait for England or Belgium.

ISN'T IT time soccer stopped being condescending to the "Third World?" Time we grew up and realized that the "eternal continent of tomorrow" is not only rapidly advancing but actually possesses some of the lost skills that emanate from children expressing themselves in places where the coaches have yet to spread their blanket uniformity?

The cynicism of Europeans and Latin Americans who have ruled the roost for so long dies hard. I hear all around that it is "farcical" that the World Cup format allows Cameroon and Colombia to play for a quarterfinal spot. Rubbish. In round one, Cameroon beat Argentina and Romania fair and square. Colombia proved the equal of West Germany.

Surprise, surprise, the big nations want something done about this. Julio Grondona, president of the Argentine Football Association, says this championship shows that "leading players are not in top form" and that he and others in the FIFA hierachy are working on a plan to restore the status quo. According to Grondona, FIFA will lay down the law for the next World Cup, that all foreign stars must be in the hands of their national team management at least 60 days before kickoff.

Well, he has a point. Some stars have begun this event jaded. Some, like the Dutch trio of Ruud Gullit, Marco Van Basten and Frank Rijkaard, have struggled not so much physically as mentally coming to a World Cup soon after winning the European Cup for AC Milan. But there were also Italians on Milan's side and on the Juventus team that won the UEFA Cup. There were Brazilians in the Benfica team beaten by AC Milan last month. Italy and Brazil won all their games in the first phase.

Also, if the Argentine FA's president is right, shouldn't his team have an advantage because it, as reigning champion, did not go through the draining qualifying process that, added to incessant club demands, overburdens national heroes?

Two realities need be told. First, that Argentina failed to restructure its team in the four years after winning the World Cup, and its reliance on "Diego Maradona and 10 others" has been a self delusion. Second, that the clubs are the paymasters who will call the tune. Try telling Milan president Silvio Berlusconi, or Juventus owner Gianni Agnelli, that the millions of dollars they pay for stars is to be for part-time rights only.

Try telling UEFA, the European authority, to shelve its lucrative tournaments during a World Cup year. Try telling players, managers and owners that the world is moving too fast, that cashing in for today is ruinous and that year-round pressures burn out the stars faster than body and mind can take.

They all know it. African stars with European teams feel it as much as Europeans and Latin Americans. But a 60 day amnesty ain't gonna be the cure. If greedily overburdening the star players opens the door to new names, new faces and new nations, don't cry for Argentina.

Rob Hughes is on the staff of the Sunday Times

Italy Reshuffles Lineup for Uruguay

The Associated Press

MARINO, Italy — Italy is planing to field a revamped lineup against Uruguay in their second-round match Monday because of injuries and concerns about a possible upset by the South Americans.

The Italian coach, Azeglio Vicini, said Sunday that he would start his new striking tandem of Salvatore Schillaci and Roberto Baggio. But he said that Roberto Donadoni, an attacking midfielder, had not recovered from a strained knee ligament and would not play.

Vicini said he would replace Donadoni with Luigi De Agostini, a versatile midfielder-fullback who is expected to bolster the Italian defense against Uruguayan striker Ruben Sosa and attacking midfielder Enzo Francescoli.

Uruguay, a two-time world champion, finished third in Group E and has played poorly so far in the World Cup. But Vicini and the Italian players know the Uruguayans are capable of playing great soccer and want to make sure they don't get caught by surprise in the match in Rome on Monday night.

Uruguay also has an edge: six members of its team play in the Italian first and second division, and are familiar with many of the players on the Italian team.

Uruguay also is one of only three nations to hold a winning record against Italy; the South American side has won two of the team's five meetings to date, and drew with the Italians, 0-0, in the first round of the 1970 World Cup in Mexico.

"In the face of difficult moments and tough rivals, Uruguay plays its best," said the team's coach, Oscar Tabarez.

Tabarez is counting on defenders Hugo De Leon and Nelson Gutierrez, who plays for Verona, to stop Baggio and Schillaci.

De Agostini warned his teammates against underestimating the Uruguayans.

"Uruguay is one of those teams that can become much stronger when they play against a team like Italy," De Agostini said. "Their attackers are fast, and can catch us with a counterattack."

To bolster the Italian offense, Vicini is going to continue playing Nicola Berti in the place of Carlo Ancelotti, who is Italy's best defensive midfielder. Ancelotti is recovered from a knee injury suffered against Austria, but Vicini is counting on Berti to replace some of Donadoni's playmaking skills.

"This formation played well in the second half against Czechoslovakia, and deserves another chance," Vicini said. "I'd rather be able to choose from 22 healthy players, but this shows why our reserve players are so important."

Vicini had hoped to have the option of moving forward Gianluca Vialli back into Donadoni's spot at midfield, but Vialli said Sunday that he hadn't fully recovered from a thigh injury.

The winner of the match on will meet the winner of the other quarterfinal on Monday between Ireland and Romania on June 30 in Rome's Olympic Stadium.

Owner Watches Cup, Crocodiles Are Stolen

Reuters

BURI RAM, Thailand — Thieves took advantage of Rachan Pinthong's absorption in the live television coverage of the World Cup to steal the crocodiles he was breeding on in northeastern Thailand.

Police said the thieves appeared to have drugged the crocodiles with an insecticide before tying them up and taking them from the crocodile farm in Buri Ram province on Thursday night.

Crocodiles are raised in Thailand for their skins, which are used in making handbags and shoes.

Showdown of Unlikely Contenders

The Associated Press

GENOA — No matter what happens in their match Monday, Ireland and Romania already have played better in the World Cup than anyone expected.

Neither team was even supposed to qualify for the World Cup championship tournament. Now, they're playing for a quarterfinal berth.

Neither team has advanced so far in the World Cup. For the Irish, it's their first trip to the Cup.

While Ireland has no major injury problems and goes into the match unbeaten in the last 19 months, Romania will be without striker Marius Lacatus, who has been suspended for one match after receiving two yellow cards.

Lacatus, who scored twice in Romania's 2-0 upset of the Soviet Union in the opening match, received two cautions in the Group B finale Monday against Argentina.

"It will be very difficult to replace Lacatus," Romania's coach, Emerich Jenei, said Sunday.

"Florin Raducioin or Rodion Camataru will play instead of him. But I haven't made up my mind yet. I'll have to think about if for another 24 hours."

Raducioiu, 20, one of the youngest strikers in the tournament, played against the Soviets and Cameroon.

Earlier this week, Raducioiu signed a contract to play for Bari in the Italian league after the World Cup. Camataru, 33, already plays for Charleroi in Belgium.

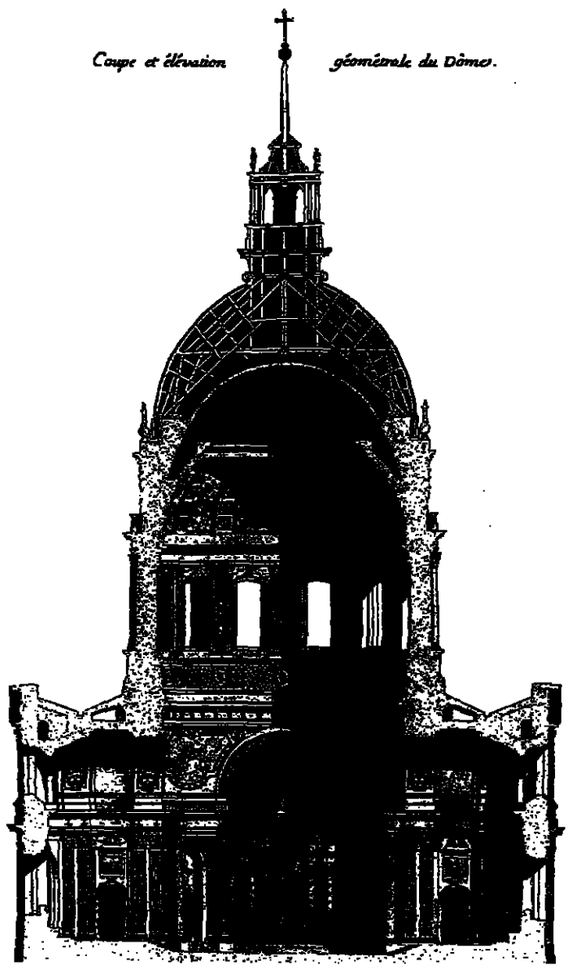
After arriving at the team's second-round training camp south of Genoa on Friday, Ireland's manager, Jack Charlton, spent several hours watching tapes of Romania's previous Cup matches.

Although Ireland beat Romania, 2-0, two years ago in Dublin, Charlton admitted it was an unknown team to him.

"We watched the other sides' World Cup games," he said. "We only saw the highlights of Romania's games, when goals were scored and things."

But Charlton added: "We have an excellent record of eight unbeaten matches against Eastern European sides. Our style of play is suited to stopping teams with a set-pattern such as the Soviet Union and Romania."

"They don't like our style, and I'm confident that we will be able to give them a hard, tough 90 minutes," he said, adding that "I wouldn't like to play us in a knock-out situation. When you've got to win the game over 90 minutes, I wouldn't like to play us if I was the other manager. We play a very cup-type of game."



WEDNESDAY JUNE 27

Gala benefit evening for the restoration of the frescoes in the Dome crowning the Hotel des Invalides.

6:45 p.m. Cocktail
7:45 p.m. Concert in the Church of St. Louis des Invalides.
9:45 Gala Dinner
In the Salle d'Honneur of the Hotel National des Invalides, Paris.

A few places remain available.
Please contact the World Monuments Fund France at 45 22 79 85.

WORLD CUP WRAP-UP

Maturana Quits as Colombian Coach

BOGOTA, Colombia (UPI) — Colombia's coach, Francisco Maturana, said Sunday that he is resigning after three years of running the national team.

"In muscular force, Colombia was among the best," Maturana said in an interview from Rome broadcast in Colombia. "But we lack the mental game that would allow us to live each game as all games should be lived."

Speaking a day after Colombia was defeated by Cameroon, Maturana said that he had not thought about his future in soccer. He has reportedly received offers from teams in Italy and Mexico.

Belgium Waits Word on Hurt Grun

PESCANTINA, Italy (AP) — The Belgian coach, Guy Thys, said Sunday that he cannot put the finishing touches on his lineup for Tuesday's match against England until he knows if key defender Georges Grun will be fit to play.

"I will not make my final decisions until we see how Grun trains on Monday afternoon," Thys said.

Grun was one of two key defenders missing in Belgium's 2-1 loss to Spain. The other, Leo Clijsters, now is completely fit, team officials said.

Post-Match Doping Tests Expanded

ROME (UPI) — Doping tests on each team following each World Cup match were to be increased from two to three players, world soccer's governing body FIFA announced Saturday, although no player has tested positive to using any forbidden substances.

Fifteen minutes before the end of each match, FIFA and the Italian Sporting Association give medical representatives of each team the names of the three players to be tested right after the match.

FIFA to Study Increasing Quotas

ROME (Reuters) — Proposals to increase the quota of countries from Africa, Asia and Central and North America taking part in the World Cup finals will be considered at FIFA's next meeting, in December, according to the organization's president, Joaõ Havelange.

He said that FIFAs executive committee would discuss a new system for allocating places in the final and would consider increasing quotas for non-European and non-South American nations.

Africa, Asia and the CONCACAF federation grouping Central and North American FIFA members each have two representatives at the World Cup finals, though the Africans and Asians have been pressing for a third.

Foreign Attention Upsets Romanians

BUCHAREST (Reuters) — Romania has complained that foreign soccer teams were upsetting the training of its World Cup squad by trying to sign up the country's best young players.

The country's minister of sports, Mircea Angelescu, said in a statement Friday that the activities of foreign clubs were "contrary to the interests of Romanian football, actions that perturb the training of the Romanian team." Romania will play Ireland in a second-round match on Monday.

Medical Teams Are Keeping Busy

ROME (AP) — Medical teams assigned to the World Cup have handled 600 emergency cases in the 12 stadiums in which first-round games were played, according to the organizing committee. Of those emergency cases, 40 people were transported to hospitals, it said.

Medical personnel also were needed more than 700 times to treat players referees and journalists, the committee said.

Genoa Eases Its Ban on Alcohol

GENOA, Italy (Reuters) — Genoa has became the fifth Italian city to soften a World Cup alcohol ban, saying fears of hooligan violence had diminished. The Genoa city prefect issued an order on Friday allowing bars and restaurants to serve beer and wine before 3 p.m. and after 8 p.m. on Monday when Ireland and Romania play here.

Turin, Rome, Florence and Bologna also have eased the ban.

Bookmakers Cut Odds on Cameroon

LONDON (Reuters) — The odds against Cameroon's winning the World Cup were slashed from 33-1 to 20-1 by a leading British bookmaker following its 2-1 victory over Colombia on Saturday.

Cameroon was quoted at 500-1 at the outset of the tournament and a spokesman for William Hill said they stood to lose more than £600,000 ($1.04 million) if Cameroon won the cup.

Italian Dies After Celebration

BOLZANO, Italy (Reuters) — A 17-year-old Italian died on Saturday after being injured in wild celebrations following Italy's 2-0 victory over Czechoslovakia, police said. The youth, Andrea Mantovan, suffered severe head injuries when he fell from a car in a procession of vehicles parading through the north-eastern town of Merano after the match last Tuesday.

For the Record

Des Walker, an English defender, resumed training after x-rays on Saturday showed that he did not had a fractured bone in his leg, an English official said in Cagliari, Sardinia. *(Reuters)*

Zoran Vulic missed Saturday's training because of a bruise, but the Yugoslav fullback will be fit for the team's second-round match against Spain on Tuesday, the team doctor said in Garda, Italy. *(AP)*

Bryan Robson, the English midfielder and captain who injured an Achilles' tendon in a match against the Netherlands, returned to England on Sunday and will likely miss the rest of the World Cup, the English Football Association said in Cagliari, Sardinia. Robson returned home to consult a specialist to determine if he needs surgery. *(UPI)*

Brazil Outplays Argentina, but Loses on Late Goal

Luca Bruno/The Associated Press

Striker Claudio Caniggia skirted the sprawling Brazilian goalkeeper, Claudio Taffarel, and fired the ball into an open net to give Argentina a 1-0 victory in its match.

Reuters

TURIN — Striker Claudio Caniggia scored just 10 minutes before the end of Sunday's match to give Argentina a 1-0 victory over Brazil in their World Cup second-round competition.

The fluid Brazilians dominated the battle of the South American giants and hit the goal posts with shots three times. But their erratic finishing marred a great performance.

Argentina, which had appeared certain to surrender the title it had won four years ago in Mexico, scored when Diego Maradona broke through on the right side and sent a pass across the goal for Caniggia.

The blond striker, who was unmarked, went around the Brazilian goalkeeper, Claudio Taffarel, and put the ball high into the net.

The field was invaded by delighted Argentine officials as the crowd was stunned into silence.

Three minutes later Argentina could have scored again when José Basualdo came through cleanly but was brought down from behind by defender Ricardo Gomes, who was promptly sent off.

Argentina's goalkeeper, Sergio Goycochea, was given a yellow card for wasting time three minutes from the end of the match as Brazil launched a series of desperate attacks.

With only two minutes to go Muller shot the ball past the post from five meters out.

For most of the match, Argentina hardly looked like a team on its way to a quarterfinal meeting with either Spain or Yugoslavia in Florence on Saturday.

The team, containing five players from the 1986 winning side, appeared short of ideas in midfield where Jorge Burruchaga lacked speed and touch.

Before Caniggia's late score, Argentina had only two serious attempts on goal. A header by defender Oscar Ruggeri flew just wide in the first half, and Burruchaga's 61st-minute shot was well saved by Taffarel, who pushed it away for a corner kick.

"This is the way football is — it's made us very sad," said Brazil's coach, Sebastiaõ Lazaroni.

"The only thing we didn't get was the goal. We were attacking all the time but we missed chance after chance.

"Argentina had one chance and they scored," he said. "Only one team played — Brazil deserved to win but it didn't happen."

Argentina's coach, Carlos Bilardo, said: "This was a premature final. Argentina is getting better and are now playing at 50 or 60 percent of its capacity.

"We would have preferred to stay in Naples for this match but once we were here, we just got on with it," Bilardo said.

He said some of his key players, including Maradona and Ruggeri, were still not fully fit, and that midfielder Ricardo Giusti had returned to action after months on the sidelines.

Some Brazilian fans sat disconsolately in the stadium in disbelief until well after the match, unable to grasp that their team had lost after being so totally in command for 80 minutes.

The match began amid thunderous applause for the popular Brazilians and jeers for the Argentines — mainly because of rivalry between the local Turin club, Juventus, and Napoli, where Maradona plays.

Careca broke clear for Brazil in the opening minute, shaking off Juan Simón only to shoot weakly, allowing Goycochea to send the ball clear for a corner.

Midfielder Alemao twice blasted the ball high over the bar in the first five minutes as Brazil threatened to overrun the Argentine defense.

In the 11th minute, Branco swung over a corner kick but Ricardo Rocha, the Argentine goal at his mercy, failed to make contact with a wild lunge.

Later in the first half, Brazilian midfielder Dunga struck the post with a header and Careca and Alemao repeated the failure early in the second half.

The advantage was all on Brazil's side as their fans created a carnival atmosphere in Stadio Communale, where the crowd jeered and whistled Maradona every time he touched the ball.

But gradually the Brazilians began to become frustrated at their inability to score and at the erratic finishing of strikers Careca and Muller.

As their fluid approach work began to dry up, Argentina became more of a force late in the match.

The defeat was Brazil's worst World Cup performance since 1966 when it failed to get past the group matches in England.

West Germans Beat Dutch in Hard Fought Match

Compiled by Our Staff From Dispatches

MILAN — West Germany powered its way into the quarterfinals of the World Cup, defeating the Netherlands, 2-1, in a tempestuous second-round match on Sunday.

Jürgen Klinsmann opened the scoring after 51 minutes after both teams had been reduced to 10 men midway through a volatile first half.

Andreas Brehme looped the ball round the Dutch goalkeeper, Hans van Brenkelen, to make the score 2-0 in the 85th minute.

Ronald Koeman, a Dutch defender, scored on a penalty four minutes later, but the goal came too late to rescue the Netherlands, the current European champions.

Rudi Völler, a West German striker, and Frank Rijkaard, a Dutch defender, were sent off by referee Juan Loustau of Argentina in the 22d minute to end a bitter feud between the two Italian-based players.

Rijkaard twice spat at Völler before walking off the field at the end of an ugly few minutes in the highly-charged encounter.

Jan Wouters and Marco van Basten of the Netherlands and Lothar Matthäus, the West German captain, were all booked.

"We prepared for this match with great care," West Germany's coach, Franz Beckenbauer, said after the match.

"We waited and we tried to study our opponents and we succeeded," he said. "It was a great experience, especially the midfield gave me great satisfaction."

Asked if this was the best West German team he had trained, Beckenbauer said: "Yes."

The victory was sweet revenge for West Germany, beaten by the Netherlands in the semifinals of the European championship in 1988.

West Germany now plays Czechoslovakia on July 1 for a place in the semifinals.

The match between two of the World Cup favorites at such an early stage of the tournament was played out with the intense rivalry that characterizes all meetings of the European neighbors.

Rijkaard was booked in the 20th minute for a foul on Völler, who was in turn shown the yellow card when he carried on the vitriolic argument.

The ill-feeling boiled over when Völler, who had declared before the match that he would love to send the Dutch home, challenged van Breukelen, who went down in a heap.

Both teams had problems adapting to the changes, but the loss of its central defender sent the Dutch defense reeling.

Van Breukelen had to make several great saves to keep the score so low.

After Dutch midfielder Aron Winter missed two open chances in the first six minutes of the match, the defenses on both teams took control, yielding few chances.

Both defenses played well back, yielding much of the midfield where creative play was less effective.

Klinsmann, lone West German front runner after the dismissal of Völler, broke the deadlock five minutes into the second half.

Guido Buchwald beat defender Aron Winter on the left and Klinsmann, lurking at the near post, was on hand to flick the crossing pass into the far corner for his third goal of the tournament.

In the 85th minute, Buchwald steered the ball back to Brehme, who fired a hard rising right-foot shot that curled into the far corner of the net, beyond the reach of a diving van Breukelen.

Koeman's penalty came after Jürgen Kohler had pushed van Basten just inside the area.

"This is the best game we played in the World Cup," Koeman said afterwards.

"We played very well but we lost. It's very strange. It's all over."

He said it was much more crucial to the Netherlands to lose Rijkaard than for the West Germans to be without Völler.

When the Dutch started looking for an equalizer after Klinsmann's goal, its defense was increasingly spread and missed the presence of Rijkaard. *(Reuters, AP)*

Karl Heinz Kuefeln/The Associated Press

The Netherlands' Berry van Aerle beat West Germany's Rudi Völler, 9, to the ball in the match between two European soccer powers.

THE WORLD CUP SHOWDOWN

QUARTERFINALS
Sat, June 30, Florence, 1500 GMT
ARGENTINA

Sun, June 24, Turin, 1500 GMT
BRAZIL 0
ARGENTINA 1

Tue, June 26, Verona, 1500 GMT
SPAIN
YUGOSLAVIA

Mon, June 25, Genoa, 1500 GMT
IRELAND
ROMANIA

Mon, June 25, Rome, 1900 GMT
ITALY
URUGUAY

Sat, June 30, Rome, 1900 GMT

SEMIFINALS
Tue, July 3, Naples, 1800 GMT

Wed, July 4, Turin, 1800 GMT

FINAL
Sun, July 8, Rome, 1800 GMT

THIRD PLACE
Sat, July 7, Bari, 1800 GMT

QUARTERFINALS
Sun, July 1, Milan, 1500 GMT
CZECHOSLOVAKIA
W. GERMANY

Sun, July 1, Naples, 1900 GMT
CAMEROON

Sat, June 23, Bari, 1900 GMT
CZECHOSLOVAKIA 4
COSTA RICA 1

Sun, June 24, Milan, 1900 GMT
W. GERMANY 2
NETHERLANDS 1

Sat, June 23, Naples, 1500 GMT
CAMEROON 2
COLOMBIA 1

Tue, June 26, Bologna, 1900 GMT
ENGLAND
BELGIUM

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MONDAY SPORTS

Wimbledon: A Test of Wills

By Robin Finn
New York Times Service

WIMBLEDON, England — Like so much pretty patchwork, the lawns at Wimbledon, as well groomed as the royalty that gathers yearly at Centre Court to anoint new champions, await Monday's onslaught of tennis players intent on capturing the most prestigious of the Grand Slam tournaments.

"Wimbledon is just special, special," said Hana Mandlikova, who has won four Grand Slam titles and who, despite an urgency to retire from the stress of singles play, can't bear to do so until she has tackled one last Wimbledon, the only Grand Slam event she hasn't mastered.

She has described her inability to win Wimbledon as the one regret of her life.

But these are treacherous unforgiving lawns and Mandlikova's careerlong futility upon them is rule rather than exception among most of her peers.

A court that sparkled like an emerald on opening day may be mottled and threadbare by the time the finals unfold.

Not only the opponent, but often the whims of the court itself must be outwitted.

Although a handful of grass-court specialists have priority status, Wimbledon, with its plethora of rules and cloudbursts and its singular seeding system, puzzles serve-and-volleyers and baseliners alike.

Three-time champion John McEnroe, whose past laurels earned him the No. 4 seeding despite his double-digit computer ranking, can't flourish here unless he has a strong reserve of patience.

The tenacity of Michael Chang, the clay-court comeback specialist, does him little service on a surface that frowns upon one-dimensional play from the baseline.

AP

Navratilova: 'Made for grass.'

Boris Becker had to craft a perfect equation between unbridled power and finely hewed volleys in order to dominate on Centre Court three times in the last five years.

Steffi Graf has said she couldn't learn to conquer Wimbledon until she'd fought and vanquished a natural proclivity to stay away from the net.

Martina Navratilova, whose eight Wimbledon titles certainly endorse her assertion that she "was made for grass," nonetheless undertook a yearlong improvement campaign that further honed her second serve, ground strokes and even her incisive volley in her pursuit of a record ninth title.

If desire alone could determine this year's Wimbledon champions, Navratilova and Ivan Lendl would be shoo-ins.

Navratilova's credentials on grass remain impeccable. Only stellar play from Graf detoured the 33-year-old veteran in the last two finals. Lendl, twice a runner-up, has won both his competitive tune-ups on grass.

In last Sunday's final at the Queens Club, Lendl sent a defiant message to Becker, the defending men's champion at Wimbledon.

Lendl, perennially browbeaten by Becker here, defeated the West German, 6-3, 6-2, ended a losing streak against him at five matches and evened their career record at 8-8.

Becker was so chastened by the encounter that he pulled out of an exhibition in Wentworth and spent last week drilling himself on the practice courts at Wimbledon.

Lendl, seeded No. 1 for the fourth time, had hoped that the luck of the draw would place Becker, seeded second, and last year's runner-up, Stefan Edberg, seeded third, on a semifinal collision course. Instead, Lendl appears destined to clash with Edberg, the 1988 champion, in the semifinals.

But Lendl could take as a good omen the withdrawal of the No. 8 player, Aaron Krickstein, with a sore elbow.

In the opening round, Lendl, whose attempt to win Wimbledon is considered less quixotic on his 11th attempt, faces Christian Miniussi of Argentina, a clay-court doubles specialist whose Wimbledon debut will presumably be short-lived.

The only potential early-round trouble spot for Lendl could come in the fourth round, where he may meet Henri Leconte, the Frenchman who defeated him in this same round here in 1985.

Becker's path to the finals could be tricky. He first faces Luis Herrera of Mexico, a qualifier, then may play Wally Masur, a determined Australian who defeated him on grass back when the Australian Open favored that surface.

Becker was already a two-time Wimbledon champion when he was stunned by another Australian, Peter Doohan, in the second round here in 1987.

Pat Cash of Australia, the 1987 champion, or Yannick Noah could test Becker in the fourth round.

If McEnroe, for whom wobbly inspiration has been almost as big a hindrance as his assortment of nagging injuries, can outgun a dangerous serve-and-volleyer, Derrick Rostagno, in the first round and get to the semifinals again, he'll likely find Becker waiting.

Among the top-seeded women, Graf appears to have no obstacles between herself and a third consecutive title until the semifinals, where lack of luck in the draw has matched her against her latest nemesis, Monica Seles, the French Open champion.

Graf has fallen in consecutive tournaments to the 16-year-old left-hander who ended Graf's undefeated streak at 66 matches. Graf, seeded No. 1 and the defending champion, said she plans once again to use Wimbledon to heal the hurt of faltering in the French Open.

Seles, seeded third, is far less accomplished on grass than on clay and is nursing a stomach muscle strain presumably brought on by the overexertion of winning six straight tournaments this spring. Seles said she hurt her stomach while hitting against a backboard in London, but said she has resumed practice after a four-day layoff.

Jennifer Capriati, the 14-year-old who slammed her way to the semifinals of her first Grand Slam event last month in Paris, is the youngest player ever seeded here (No. 12) and will be the youngest player ever to win a match if she can defeat Helen Kelesi of Canada.

Kelesi, a power hitter, has taken sets from both Capriati and Seles this year but in five previous appearances has not advanced beyond Wimbledon's second round.

The Lore of the Lawn

New York Times Service

Some lesser-known stories pertaining to the Wimbledon championships:

1877 Overmatched

The first finals day in 1877 was postponed so as not to clash with the Eton-Harrow cricket match at Lord's.

1878 Just a Hobby

The Reverend P. Frank Hadow of England had never played in a lawn tennis tournament before his Wimbledon singles victory. He never played tennis again, confident the game was a passing fancy.

1895 Joy Ride

After Charlotte (Chatty) Cooper first won the Wimbledon singles, she cycled home. As she arrived late in the afternoon, she told her brother she had just "won a tennis tournament!"

1910s In Her Blood

Dorothea Lambert Chambers, a women's singles champion, used to say that in her early years, after a long match, her bath would run red with blood because of the cuts inflicted on her body by the whale bones in her corset.

1920s Unmasked Feelings

Jean Borotra was the first male to enter the ladies' dressing room in the 1920s when, with a towel firmly fixed over his head, he groped his way to the star dressing room to beg Suzanne Lenglen to come out and play.

1932 The Whiz Kid

Bunny Austin, England's No. 2 to Fred Perry, is still unable to say which side of his body the ball passed on Ellsworth Vines's title-winning service in their final that year.

1939 Against All Odds

The neatest betting scam of Wimbledon's illustrious history was allegedly perpetrated by Bobby Riggs in 1939, when he swept the three titles and most of the London bookies' cash, having received astonishing odds after a disastrous performance at Queens Club the previous week.

1970s Uncrowned Champs

The two greatest players never to win Wimbledon singles titles are Pancho Gonzalez and Ken Rosewall. Both were featured in "all-time great" matches, but never won the final accolade.

1980s Serviceman Grounded

A senior air force officer in charge of security left his Mercedes in the parking lot one night and came in the next day only to find that all its wheels were gone.

SCOREBOARD

TENNIS

MEN'S TOURNAMENT
Semifinals
Gilad Bloom, Israel, def. Nick Brown, U.K., 6-4, 7-6 (7-2); Pete Sampras (2), U.S., def. Eric Jelen, West Germany, 6-7 (4-7), 6-4, 6-4.
Final
Sampras def. Bloom, 7-6 (11-9), 7-6 (7-3).

WOMEN'S TOURNAMENT
In Eastbourne, England
Semifinals
Martina Navratilova (1), U.S., def. Jana Novotna (7), Czechoslovakia, 7-6 (7-3), 3-6, 6-3; Gretchen Magers, U.S., def. Lori McNeil, U.S., 7-6 (8-6), 6-2.
Final
Navratilova def. Magers, 6-0, 6-2.

GOLF

Final scores Sunday from the Irish Open championship played on the 7,123-yard, par-72 Portmarnock Golf Club course in Dublin:

Jose-Maria Olazabal	67-72-71-72—282
Mark Calcavecchia	66-75-72-72—285
Frank Nobilo	73-70-69-73—285
Rick Hartmann	72-74-71-69—286
Russell Claydon	71-71-72-73—287
John Bland	71-69-73-74—287
Brian Marchbank	71-73-71-73—288
Eamonn Darcy	70-70-74-74—288
Martin Stubbs	72-72-76-69—289
David Ray	71-73-72-73—289
Marc Farry	67-76-70-80—290
Stephen Bennett	72-73-74-71—290
Peter Mitchell	74-71-75-68—290

RUGBY

Rugby's Big Eight

Last 10 tests among the eight

	W	D	L	Tries
1. New Zealand	10	0	0	42
2. England	6	1	3	22
3. Scotland	6	1	3	20
4. Australia	4	1	5	26
5. France	3	0	7	20
6. Argentina	2	1	7	6
7. Ireland	2	0	8	12
8. Wales	1	0	9	9

RESULTS SATURDAY AND SUNDAY

New Zealand 21, Scotland 18

First half: Two penalty goals by Scottish fullback Gavin Hastings. Penalty goal by New Zealand flyhalf Grant Fox. Try by right wing Tony Stanger, converted by Hastings. Try by New prop Richard Loe, converted by Fox. Try by left wing Alec Moore, converted by Hastings. Penalty goal by Fox.

Second half: Three penalty goals by Fox.

Australia 48, France 31

First half: Tries for Australia by left wing Paul Carozza, center Paul Cornish and No. 8 Tim Gavin, all converted by flyhalf Michael Lynagh. Try by French hooker Louis Armary, converted by flyhalf Didier Camberabero. Penalty goal by Lynagh. Penalty goal by Camberabero. Try by right wing Bernard Lacombe, converted by Camberabero. Penalty goal by Lynagh.

Second half: Try by center Jason Little, converted by Lynagh. Penalty goal by Camberabero. Penalty goal by Lynagh. Penalty try, converted by Lynagh. Try by French fullback Serge Blanco. Penalty goal by Lynagh. Try by Blanco, converted by Camberabero. Penalty goal by Camberabero. Try by fullback David Campese, converted by Lynagh.

Next Test
June 30, Sydney: Australia-France

BASEBALL

Major League Standings

Through Saturday

AMERICAN LEAGUE

East Division	W	L	Pct.	GB
Toronto	40	30	.571	—
Boston	38	29	.567	½
Milwaukee	32	34	.485	6
Detroit	34	37	.479	6½
Cleveland	31	35	.470	7
Baltimore	31	38	.449	8½
New York	28	41	.379	13
West Division				
Oakland	43	24	.642	—
Chicago	40	25	.615	2
California	36	34	.514	8½
Minnesota	33	35	.485	10½
Seattle	34	37	.479	11
Texas	31	38	.449	13
Kansas City	28	39	.418	15

NATIONAL LEAGUE

East Division	W	L	Pct.	GB
Montreal	40	29	.580	—
Pittsburgh	38	28	.576	½
New York	35	29	.547	2½
Philadelphia	34	32	.515	4½
St. Louis	29	39	.426	10½
Chicago	28	42	.400	12½
West Division				
Cincinnati	42	23	.646	—
San Diego	34	31	.523	8
San Francisco	36	33	.522	8
Los Angeles	34	34	.500	9½
Houston	27	41	.397	16½
Atlanta	25	41	.379	17½

Friday's Line Scores

AMERICAN LEAGUE

Kansas City 000 000 011—2 7 0
Minnesota 020 010 00x—3 8 0
Saberhagen, M. Davis (8) and Macfarlane; Tapani, Aguilera (9) and Ortiz. W—Tapani, 8-4. L—Saberhagen, 5-7. Sv—Aguilera (17). HR—Minnesota, Gaetti (9).

Baltimore 000 300 000—3 9 1
Boston 002 100 10x—4 11 0
Ballard, Holton (7), Price (8) and Tettleton; Boddicker, Murphy (9) and Pena. W—Boddicker, 9-3. L—Ballard, 1-8. Sv—Murphy (4).

Seattle 000 100 010—2 7 0
Texas 011 000 30x—5 11 1
M. Young, Harris (7), Comstock (7), Jackson (7) and Valle; Ryan, Rogers (8) and Russell, Petrali (8). W—Ryan, 6-4. L—M.Young, 2-5. HR—Seattle, Griffey (12).

Cleveland 031 000 102—7 16 0
Milwaukee 002 001 00x—3 10 1
Black, Geonte (3), Seanez (6) and Alomar; Krueger, Edens (3), Sebra (7), Plesac (9) and O'Brien. W—Edens, 1-0. L—Black, 6-4. Sv—Plesac (13). HRs—Cleveland, Maldonado (12), Milwaukee, Parker (7).

New York 201 002 010 000 002—6 15 1
Toronto 001 000 030 000 001—7 14 2
(15 innings)
LaPoint, J. Robinson (8), Guetterman (8), Cadaret (13), Righetti (15) and Geren; Nokes (9); Key, Wills (7), Blair (11) and Borders. W—Cadaret, 2-4. L—Blair, 0-4. Sv—Righetti (15). HRs—New York, Balboni 2 (7), Toronto, Olerud (7), Bell (15).

Detroit 000 000 000—0 3 0
California 000 000 001—1 5 2
DuBois, Gibson (8) and Heath; Finley, Bailes (9) and Parrish. W—Bailes, 2-0. L—Gibson, 2-2.

Chicago 010 004 000—5 11 0
Oakland 000 000 000—0 4 0
King and Fisk; Sanderson, Klink (7), Norris (8) and Steinbach. W—King, 7-1. L—Sanderson, 8-4. HRs—Chicago, Pasqua (7), Fletcher (2).

NATIONAL LEAGUE

St. Louis 101 100 202—7 12 2
Chicago 000 000 000—0 3 1
Magrane and Zeile; Wilson, Pico (5), Kroemer (8) and Girardi. W—Magrane, 4-9. L—Wilson, 1-5. HRs—St. Louis, Guerrero (8), Zeile (7).

Philadelphia 100 000 000—1 5 1
New York 140 000 00x—5 9 0
K.Howell, Cook (2), Carman (4), Parrett (7) and Daulton; Viola, Innis (9) and Sasser. W—Viola, 10-3. L—K. Howell, 5-4.

Pittsburgh 002 001 000—3 5 0
Montreal 000 100 23x—6 6 0
Terrell, Kipper (7), Belinda (8) and LaValliere, Slaught (8); Ke. Gross, Hall (8), Sampen (8), Schmidt (9) and Fitzgerald. W—Sampen, 4-0. L—Belinda, 2-2. Sv—Schmidt (9). HR—Montreal, Walker (5).

Los Angeles 100 300 020 1—7 10 1
Cincinnati 101 110 011 0—4 12 0
(10 innings)
Morgan, J. Howell (8), Gott (10), Poole (10), Crews (10) and Scioscia. Dempsey (10); Rijo, Charlton (8), Myers (9) and Oliver, Reed (9). W—J. Howell, 3-4. L—Myers, 2-2. Sv—Crews (3). HRs—Cincinnati, O'Neill (9), Benzinger (3).

San Francisco 111 000 100—3 10 2
Houston 000 001 101—3 8 0
Garrelts, Bedrosian (9), Thurmond (9), Brantley (9) and Carter; Deshales, Hernandez (3), Schatzeder (7), Darwin (7), Agosto (9), Andersen (9) and Gedman, Biasio (7). W—Garrelts, 5-4. L—Deshales, 3-5. Sv—Brantley (9). HRs—San Francisco, Thompson (8). Houston, Anthony (6).

San Diego at Atlanta, ppd., rain

Saturday's Line Scores

AMERICAN LEAGUE

Baltimore 001 000 010 1—3 8 0
Boston 100 000 010 2—4 9 3
(10 innings)
Johnson, Williamson (8), Olson (10) and Tettleton; Clemens, Murphy (10), Gray (10) and Pena. W—Gray, 1-0. L—Olson, 3-2. HRs—Baltimore, Tettleton (11). Boston, Evans 2 (7).

New York 220 001 001—6 13 0
Toronto 002 010 20x—5 10 0
Leary, Plunk (7) and Nokes; Stottlemyre, Ward (8), Henke (9) and Myers. W—Stottlemyre, 8-6. L—Leary, 3-10. Sv—Henke (12). HR—New York, Nokes (6).

Chicago 001 021 001—5 9 0
Oakland 011 010 000—3 9 1
McDowell, B. Jones (7), Thigpen (7) and Karkovice; Moore, Honeycutt (6), Nelson (8) and Steinbach. W—McDowell, 4-4. L—Moore, 5-7. Sv—Thigpen (22). HRs—Chicago, Karkovice (2), Oakland, McGwire (19).

Kansas City 000 000 100—1 4 1
Minnesota 000 000 01x—5 8 0
Gubicza, Montgomery (8) and Macfarlane; West, Savage (8) and Ortiz. W—West, 3-5. L—Gubicza, 4-7. Sv—Savage (1).

Cleveland 001 000 000— 1 5 0
Milwaukee 170 000 03x—11 17 1
Nipper, Kaiser (2), Seanez (7), Orosco (8) and Skinner; R.Robinson, Mirabella (7) and Surhoff. W—R. Robinson, 1-1. L—Nipper, 0-1. HR—Milwaukee, Deer (10).

Seattle 200 300 001 02—8 14 1
Texas 020 004 000 00—6 12 2
(11 innings)
R. Johnson, Swift (6), M. Jackson (9), Schooler (11) and Valle, Sinatro (10); B. Witt, Mayer (4), Arnsberg (7), Rogers (9), McMurtry (11) and Jo. Russell. W—M. Jackson, 2-1. L—Rogers, 2-3. Sv—Schooler (17).

Detroit 021 021 101—6 9 0
California 010 101 001—4 10 1
J. M. Robinson, Gleaton (6), Henneman (9) and Heath; Abbott, Fraser (5), Bolles (7), Eichhorn (9) and Parrish. W—J. M. Robinson, 6-5. L—Abbott, 4-4. HRs—California, C. Davis 2 (9).

NATIONAL LEAGUE

San Francisco 100 000 100—2 6 1
Houston 000 000 04x—4 8 1
Wilson, O'Neal (3), Thurmond (7), Bedrosian (8), Brantley (8) and Kennedy; Portugal, D. Smith (9) and Biggio. W—Portugal, 2-7. L—Bedrosian, 3-5. Sv—D. Smith (14).

St. Louis 202 120 000—5 12 1
Chicago 002 000 200—7 10 1
Tewksbury, Horton (7), Niedenfuer (7), Dayley (7), L. Smith (8) and Zeile; Bielecki, Kroemer (4), Nunez (6), Assenmacher (7), Lancaster (8) and Girardi. McClendon (9). W—Tewksbury, 2-0. L—Bielecki, 3-7. Sv—L. Smith (7). HR—Chicago, Sandberg (20).

Philadelphia 000 000 000—0 2 1
New York 000 013 00x—3 7 1
Combs, Akerfelds (6), McDowell (8) and Daulton; Gooden and Mercado. W—Gooden, 6-5. L—Combs, 3-6. HR—New York, Strawberry (15).

San Diego 001 130 101—7 12 1
Atlanta 001 020 020—5 14 0
Whitson, G. Harris (7), Lefferts (8) and Parent; Glavine, Clary (6), Luecken (7), Heskath (9) and Kremers, Olson (9). W—Whitson, 6-6. L—Glavine, 3-5. Sv—Lefferts (11). HRs—San Diego, Jo. Clark (7), Pagliarulo (3).

Pittsburgh 000 100 000—1 6 2
Montreal 102 000 30x—6 9 1
Drabek, Ruskin (7), Bair (7), Ross (7) and Slaught; Z. Smith, Hall (8) and Fitzgerald. W—Z. Smith, 4-5. L—Drabek, 8-3. HR—Pittsburgh, Bonds (12).

Los Angeles 003 021 000— 6 14 0
Cincinnati 010 002 02x—5 11 0
Belcher, Hartley (4), Aase (6), Poole (8) and Damasky; Browning, Layana (6) and Oliver. W—Browning, 7-4. L—Belcher, 5-5. Sv—Layana (1). HRs—Los Angeles, Griffin (1), Cincinnati, E. Davis (8), Sabo (15).

Japan Baseball

Central League

	W	L	T	Pct.	GB
Yomiuri	36	23	0	.623	—
Taiyo	29	27	2	.517	6½
Chunichi	28	30	1	.483	8½
Hiroshima	28	30	1	.483	8½
Hanshin	27	33	0	.450	10½
Yakult	25	32	0	.439	11

Pacific League

	W	L	T	Pct.	GB
Seibu	36	19	1	.652	—
Orix	34	19	2	.535	1
Nippon Ham	30	25	0	.546	6
Kintetsu	25	29	1	.464	10½
Lotte	20	28	1	.418	12½
Daiei	14	37	3	.277	21

SATURDAY'S RESULTS
Chunichi 5, Yomiuri 3, 11 innings
Taiyo 3, Hiroshima 1
Hanshin 3, Yakult 2, 11 innings
Seibu 12, Lotte 4
Nippon Ham 6, Kintetsu 5
Orix 10, Daiei 8

SUNDAY'S RESULTS
Hiroshima 8, Taiyo 5
Hanshin 6, Yakult 3, 11 innings
Seibu 4, Lotte 3, 10 innings
Kintetsu 6, Nippon Ham 0
Orix 4, Daiei 1
Yomiuri vs. Chunichi, ppd., rain

TRANSACTIONS

BASEBALL
American League
MINNESOTA—Released Jim Dwyer, designated hitter. Recalled Paul Sorrento, first baseman-designated hitter, from Portland, Pacific Coast League.

CRICKET

England vs. New Zealand
Second Test, Day 3, Saturday
At Lord's, London
1st Innings: England 334/
New Zealand 154-0.

Thompson's Staying Where He's Needed Most: Georgetown

Washington Post Service

WASHINGTON — Perhaps the most important words spoken by John Thompson were, "I am an educator."

Remaining one in a very formal capacity at Georgetown University may have been more important than the new challenge of the National Basketball Association, than owning part of the Denver Nuggets, than making more than $6 million over the next five years.

Thompson, the basketball coach at Georgetown, rejected Friday a $6 million-plus offer to become general manager and part owner of the Nuggets and will stay at the school for his 19th season.

He didn't say he turned down the Nuggets because he would miss the formal process of education. In fact, he didn't provide very much in the way of detail about why he didn't take the Nuggets' offer, other than to say "the timing was not right for me to leave here."

VANTAGE POINT/Michael Wilbon

For that, Georgetown University should be pleased. College basketball should be pleased. The teenagers at Thompson's summer camp should be delighted. The kids who wear Georgetown jackets on the streets of the District of Columbia, the kids who may have been inspired by Thompson, should be thankful. The people who stayed up until 2 o'clock one morning to hear what Thompson had to say on ABC-TV's "Nightline" about U.S. neighborhoods should be happy he's staying.

Thompson pointedly said during his news conference that he doesn't want anyone at Georgetown — or anywhere else outside his family — becoming dependent on him. He said just as pointedly that he never asked to be a Pied Piper and that he's not foolish enough to think that someone else with his resources and support system at Georgetown couldn't be as effective an educator as he is.

However uneasily Thompson wears the mantle, he wears it well. Better, perhaps, than anyone else in sports. Better than anybody sitting in a position of impact in this city. He didn't say, "I am a basketball coach." He said, "I am an educator."

The fabric of professional basketball in general, the NBA specifically, wouldn't have changed one iota had Thompson accepted the Nuggets' offer. Pro basketball, attractive as it has become in this recent internationalization, doesn't need John Thompson. The Denver Nuggets will hire somebody else, somebody who evaluates dribbling and shooting and passing. He will draft players and make trades. The person the Nuggets hire may be great at what he does, he may be better at being a general manager than Thompson would have been.

But the NBA is about the business of basketball. Players get in their fancy cars and go home. Players with big cars and $1 million homes don't need John Thompson. A 17-year-old kid whose elementary school is short on textbooks and whose high school has one part-time guidance counselor needs Thompson.

That's why college basketball would have missed him. A lot of us have been saying that Thompson has nothing more to accomplish on the college level. As a basketball coach, maybe not. As an educator, Thompson won't live long enough to accomplish all that he'd like to.

Robert Churchwell, a bright young recruit from Gonzaga High School here, learned a lesson Friday even though he hasn't yet enrolled at Georgetown.

"That's a lot of money; he's got to take that!" Churchwell said he thought when he heard the Nuggets' offer. Friday, after the announcement that Thompson was staying, Churchwell said, "I guess he's about a lot more than money."

Thompson was asked if he ever thought, in turning down the Nuggets, that he was waving good-bye to a once-in-a-lifetime offer. And he said, no, that he hoped in two years to be able to consider an offer for $20 million.

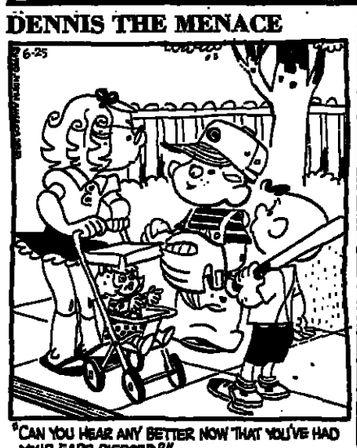
His real peace of mind, though, is probably in knowing that in 1972 he received a once-in-a-lifetime offer to teach through coaching basketball at Georgetown, an offer that gave him far more control and responsibility than would ever be at his disposal in the offices of the Denver Nuggets.

Reuters

Thompson: 'An Educator.'

Thompson staying here will keep the sparks flying at Georgetown. He will continue to push, stimulate, challenge, anger and provoke the people who deal with him. He is a presence and a force; and the people who run Georgetown know it.

DENNIS THE MENACE



"CAN YOU HEAR ANY BETTER NOW THAT YOU'VE HAD YOUR EARS PIERCED?"

JUMBLE. THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

RETIG
AFTEC
TINBAD
CROSCH

IF YOU WANT TO RELAX AT DINNER, TAKE THIS BEFORE EACH MEAL.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: (Answers tomorrow)

Saturday's Jumbles: TROTH RODEO CASKET DAINTY
Answer: What you have to face if you expect to learn how to drive safely—AHEAD

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PEANUTS

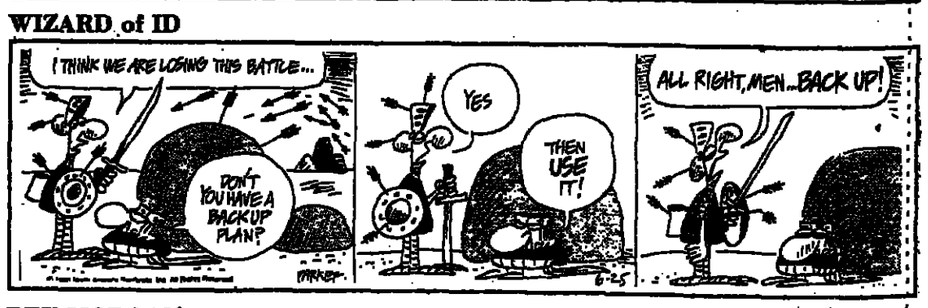
BLONDIE

BEETLE BAILEY

DOONESBURY

ANDY CAPP

WIZARD of ID



REX MORGAN

GARFIELD

MONDAY SPORTS

NBA College Draft Changed for Better

By Sam Goldaper
New York Times Service

NEW YORK — Center Duane Causwell of Temple has emerged as a possible first-round choice in Wednesday's National Basketball Association draft after what one professional scout called the "remaking of a center."

For much of the college season, pro scouts predicted that the draft, lacking a franchise player in the mold of Patrick Ewing or David Robinson, would be a poor one. But that, too, has changed.

Early in the college season the scouts looked at Causwell, who is almost 7 feet (2.13 meters), as a prospect at best. In his final ratings last week, Marty Blake, who runs the league's scouting service, ranked Causwell as the best center in the draft, and the New York Knicks, the Golden State Warriors and other teams have expressed interest in possibly using their first pick for him.

Why the sudden change in status for Causwell, who averaged 11.3 points in 12 games last season before dropping out of the College of Health, Physical Education and Recreation when he failed to maintain a 2.5 of a possible 4.0 grade-point average in his major?

Credit Causwell's hard work and determination and Jack McKinney, the former Los Angeles Laker *and Indiana* Pacer coach.

McKinney was engaged by Causwell and Lee Fentress, his agent, to work with the former Owl center in an effort to get Causwell ready for the Portsmouth (Virginia) Invitational, the Orlando (Florida) Classic and the Chicago pre-draft camp. Those are the places where prospects go before the draft to perform, free of zone defenses, before general managers, coaches and scouts.

"Duane did all right in Portsmouth, but played very well in Orlando," said Jim Maloney, an assistant coach at Temple who accompanied Causwell to Florida. "He's a legitimate 7-footer, has a long arm span and is an excellent shot blocker. Defense is his strength and he is quick enough to come out and play someone like Mike Gminski.

"He's also developed a nice 10- to 12-foot jumper. McKinney did a good job with him."

If the emergence of Causwell is a surprise, there could also be unexpected developments in the two rounds of the draft.

"This draft seems to have a lot of depth," said Rick Smid, vice president of operations for the Dallas Mavericks. "I compare it favorably to last season's draft, which I think was good. However, you probably are not going to see the real results of last year's draft or this year's until two or three years down the line."

Although many of the general managers surveyed agreed that 6-foot, 9-inch (2.05-meter) Derrick *Coleman of Syracuse, 6-8 Dennis* Scott of Georgia Tech and 6-4½ Gary Payton of Oregon State were the best three players in the draft, they also said that a player selected at No. 12 might turn out to be as good a player as one chosen at 17 or 18.

In his final ratings for the general managers, Blake ranked Coleman atop the power forwards, Scott No. 1 among both the big guards and the small forwards and Payton the best of the point guards.

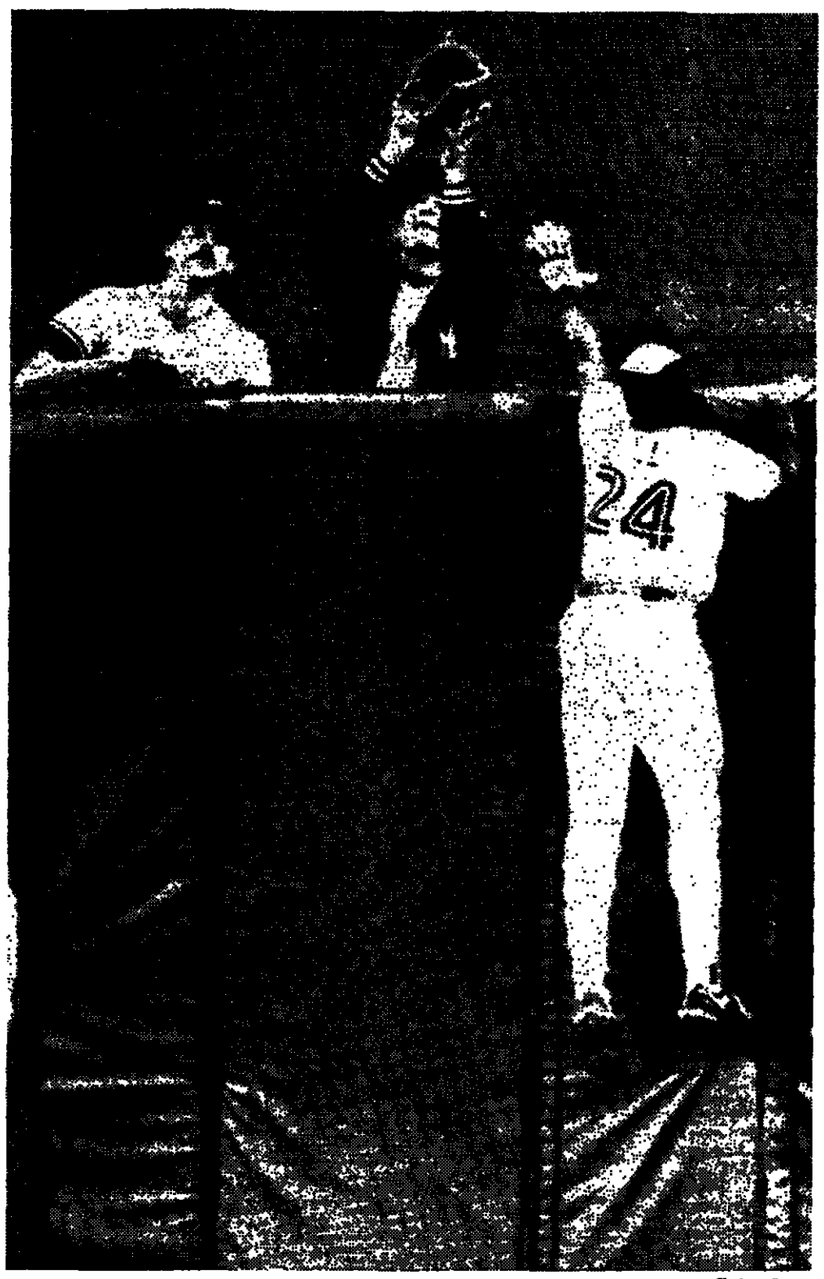
What about teams like the New Jersey Nets, who finished with the NBA's worst record, 16-66, and need immediate help?

New Jersey, which has the first pick in the draft, could get some immediate help if it trades the choice for a veteran player.

The asking price of Willis Reed, the vice president for basketball operations, is a "marquee perimeter shooting player and lower draft choice that could bring a rebounder."

If there is no trade, the decision about whom to pick first will not be an easy one. The Nets are likely to have to decide between Coleman, the rebounder, and Scott, the perimeter shooter they need more.

It matters little who winds up as the No. 1 choice; it will cost a lot of money to sign him. Estimates have run as high as $2 million a year.



Anne Glassbourg/Reuters

Toronto's Glenallen Hill made a desperate attempt but couldn't prevent a home run by Matt Nokes.

Evans Again Homers as Bosox Sweep 3 Games With Orioles

The Associated Press

BOSTON — Dwight Evans, who homered twice in a one-run victory on Saturday, drove in both runs Sunday with a home run and a sacrifice fly as the Boston Red Sox beat Baltimore 2-0.

Greg Harris (7-3) held the Orioles to five hits for eight innings and Jeff Gray got his first save as Boston swept the three-game series. Baltimore has lost four straight.

Evans connected off Bob Milacki in the seventh, tying Rocky Colavito for 31st on the all-time home run list with 374.

In the eighth, Evans flied to right to score Jody Reed, who reached base on a fielder's choice and moved to third on Mike Greenwell's single.

Blue Jays 8, Yankees 3: In Toronto, George Bell hit two homers, giving him five in his last four games, as the Blue Jays beat New York and remained atop the American League East, a half-game ahead of the Red Sox.

Bell started a four-run rally in the second inning with a leadoff homer off Chuck Cary. He hit a two-run homer in the third, his 17th of the season, and a run-scoring single in the fourth.

Bell now has 11 RBI in his last five games.

Royals 11, Twins 2: Jim Eisenreich got a career-high five hits in Minneapolis, singling in two runs during Kansas City's seven-run third, and Minnesota pitching allowed a club-record 23 hits.

The 23 hits also were an American League high for the year, surpassing Oakland's 21 against Seattle on April 13.

Kevin Seitzer, Kurt Stillwell and Bill Pecota each had three of the Royals' club-record 20 singles — including one of the seven straight they had in the third inning.

Pirates 5, Expos 3: In a National League game in Montreal, Stan Belinda escaped a bases-loaded, no-out jam in the ninth for his first major league save and Pittsburgh ended a five-game losing streak to reclaim first place in the East from the Expos.

The Expos closed to 5-3 in the ninth on Tim Wallach's two-run double off Bill Landrum. Then Bob Kipper relieved and walked Larry Walker, loading the bases. But Belinda took over and struck out Nelson Santovenia and retired Junior Noboa and Tim Raines on fly balls.

Barry Bonds hit a two-run homer, his 13th, in the eighth for a 4-1 lead. He went 8-for-10 in the three-game series and extended his hitting streak to 11.

BASEBALL ROUNDUP

Mets 6, Phillies 5: *Tim Teufel's* two-run, pinch-single capped New York's three-run rally in the bottom of the ninth inning as his team won its sixth straight.

Howard Johnson and Dave Magadan opened the ninth with singles off reliever Don Carman and former Met Roger McDowell relieved. Gregg Jefferies, who drove in four runs, singled past first baseman John Kruk to make it 5-4. McDowell got Darryl Strawberry to fly out but walked Kevin McReynolds to load the bases.

After Mark Carreon struck out, Teufel singled to center to give the Mets a three-game sweep and a 5-0 homestand.

Astros 8, Giants 2: In Houston, Bill Gullickson drove in two runs and Franklin Stubbs hit a two-run homer to help beat San Francisco.

The Giants have lost four of five since winning 16 of their first 17 games in June.

Gullickson gave up eight hits in 8⅓ innings with four walks and three strikeouts. It was his first victory over San Francisco since May 26, 1985, a span of 10 games. But in five starts this month, Gullickson is 3-2 with a 2.17 ERA.

In Saturday's games:

Red Sox 4, Orioles 3: Dwight Evans hit a two-run homer with two out in the bottom of the 10th, off relief ace Gregg Olson, in Boston. Evans's first homer had tied the score at 2-2 in the eighth, then Mickey Tettleton homered for the Orioles in the top of the 10th.

Blue Jays 8, Yankees 4: Glenallen Hill drove in three runs with a bases-loaded double and John Olerud hit two RBI doubles in Toronto..

White Sox 5, Athletics 3: Ron Karkovice ended a 3-3 tie in the sixth with a bases-empty homer in Oakland as Chicago spoiled Jose Canseco's return from the injury list. He was hit by a pitch in his first at-bat and struck out three times.

Twins 5, Royals 1: David West pitched six no-hit innings for his first victory since May 2 and Greg Gagne doubled home two runs in Minneapolis. West lost his no-hit bid when Bo Jackson singled to lead off the seventh. Jackson *scored on singles by Pat Tabler and* Mike Macfarlane.

Brewers 11, Indians 1: In Milwaukee, Dave Parker hit a three-run double and Rob Deer a two-run homer in a seven-run second inning — all scored with two outs — as the Brewers got 17 hits.

Mariners 8, Rangers 6: Edgar Martinez hit a two-run, two-out single in the 11th for Seattle in Arlington, Texas. Seattle had tied at 6 with an unearned run in the ninth as Ken Griffey Jr. scored on a passed ball by John Russell.

Tigers 9, Angels 4: Alan Trammell had three RBI singles and every starter at least one of the Tigers' 13 hits Tigers in California.

Expos 6, Pirates 1: In Montreal, the Expos scored two unearned runs in the third on third baseman Jeff King's two-out throwing error.

Montreal's Spike Owen had his single-season league record for consecutive errorless games by a shortstop end at 63 when he threw past first base in the fourth inning on a grounder by R.J. Reynolds.

Cardinals 8, Cubs 7: Terry Pendleton hit a two-run single and a two-run triple and Jose Oquendo drove in three runs for St. Louis in Chicago.

Reds 11, Dodgers 6: In Cincinnati, Eric Davis homered, singled and, in the Reds' eight-run fourth, doubled in two runs.

Astros 4, Giants 2: In Houston, *left fielder Kevin* Mitchell's two-base error on Glenn Wilson's single in the eighth allowed two runs to score as the Astros ended a seven-game losing streak.

Mets 3, Phillies 0: Dwight Gooden pitched a two-hitter for his first shutout in more than two years and Darryl Strawberry hit a 430-foot (130-meter) homer in New York.

Gooden won his third straight start and went over .500 for the first time this season. He struck out seven, walked two and did not allow a runner past second base in his 20th shutout in the majors.

Padres 7, Braves 5: In Atlanta, Jack Clark ended a 0-for-27 streak by driving in three runs with a homer and a two-run single for San Diego. Mike Pagliarulo also drove in three runs for the Padres with a homer and two run-scoring singles.

SIDELINES

Australia, New Zealand Win at Rugby

BRISBANE, Australia (AP) — Australia beat France Sunday, 48-31, in the highest-scoring match ever played between major rugby countries. The Wallabies scored six of the 10 tries, and Michael Lynagh added 24 points with his placekicking. *(See Scoreboard.)*

Serge Blanco, the veteran fullback, scored two tries for France, one of them after running the full length of the field. This was Australia's second victory in a three-test series that ends in Sydney next Saturday.

New Zealand beat Scotland at home in Auckland Saturday, 21-18, to sweep a two-test series. The Scots led at halftime, 18-12, but Grant Fox's fifth penalty goal put the All Blacks ahead eight minutes from the end.

Olazabal Wins Irish Open Golf Title

DUBLIN, Ireland (AP) — Jose-Maria Olazabal of Spain shot a final-round par 72 to win the Irish Open golf championship at the Portmarnock Golf Club course Sunday.

The 24-year-old finished with a total of 282, three strokes ahead of British Open champion Mark Calcavecchia of the United States and New Zealander Frank Nobilo. The American equaled Olazabal's final-round score of 72, while Nobilo carded 73.

• Hale Irwin, who won his third U.S. Open in a 19-hole playoff on Monday, birdied his last two holes for a three-under-par 68 to tie Blaine McCallister for the third-round lead Saturday in the Buick Classic on the Westchester Country Club course in Harrison, New York. McCallister, the second-round leader, who shot 70 and retained a share of the top spot only with a 20-foot birdie putt on the final hole. *(AP)*

The 19th Hole Is Hard to Play

United Press International

DUBLIN — Swedish golfer Mikael Krantz ran into an unexpected opponent at the Irish Open: Guinness stout.

After a rough session at the 19th hole Friday night, Krantz was nursing a huge hangover when he teed off Saturday.

At the first tee, he hit the ball, but then fell on his face, pulling with him his caddie and a tournament official.

His second shot was sliced straight into Dublin Bay.

For the round, he posted an 11 over-par 83. Playing partner John Morgan complained about his behavior.

"His 83 and the hangover he had may be punishment enough," said a European Tour spokesman, "but we'll have to see if it goes any further."

Krantz admitted having spent Friday night drinking the Irish stout with friends.

"I was very silly but I've learned my lesson and I won't do it again," he said. "I was invited to an Irish party and it just went on from there."

For the Record

Jerry Tarkanian, the basketball coach and three other University of Nevada-Las Vegas officials appeared before the NCAA Committee on Infractions in an attempt to end the 13-year battle that began when the National Collegiate Athletic Association placed the basketball program on probation for recruiting violations. *(UPI)*

Outfielder Kirk Gibson has reportedly requested that the Los Angeles Dodgers trade him because he wishes to play closer to his Detroit home. *(AP)*

Robert H. Lurie, 48, real estate magnate and part owner of both the Chicago White Sox and the Chicago Bulls, has died of cancer at Northwestern Memorial Hospital in Chicago. *(AP)*

Outfielder Phil Bradley of the Baltimore Orioles underwent arthroscopic surgery to remove cartilage from his left wrist and "won't be able to swing a bat for between three and six weeks," a team spokesman said. *(AP)*

Apaches Fame on Saturday became the first Canadian-bred horse to win the $1 million North America Cup at Greenwood Raceway in Toronto. *(UPI)*

The Tour de France: 'A Wide-Open Race'

By Samuel Abt
International Herald Tribune

PARIS — "No more *mañanas*," said Raul Alcala. "No more eighth place, like last year. This time I hope to win the Tour de France. Why not? I feel pretty good, I have a lot of motivation. Sure, why not?"

Speaking by phone from his home in Switzerland, the Mexican bicycle racer was offering the same upbeat assessment of his chances that he gave in the United States in May after he won the Tour de Trump. Asked then if he thought he could win the Tour de France as well, he replied breezily, "Sure, why not?"

The "why nots" compose a long list, as Alcala admitted later in the phone conversation. They include Pedro Delgado, Greg LeMond, Laurent Fignon, Stephen Roche, *Gianni Bugno, Charly Mottet, Andy* Hampsten and Steven Rooks. To that list of favorites when the world's greatest bicycle race starts Saturday on its 23-day journey can be added such outsiders as Steve Bauer, Marino Lejarreta, Miguel Indurain, Gerard Rué, Fabio Parra, *Sean Kelly and Erik Breukink.*

"A lot of good riders, that's for sure," Alcala conceded. "But no one rider who's obviously the boss. LeMond should have been but he's still not riding like last year. So it's a wide-open race. Why not me?"

Sure, why not? Now 26 years old, Alcala seems finally to have developed into the mature and steady rider that the American 7-Eleven team hoped for when it signed him out of Monterrey, Mexico, in 1986. With a fine ninth place in his first Tour de France in 1987 and the white jersey of the best young rider, followed by victory that year in the Coors Classic in Colorado, Alcala appeared to be headed for stardom.

It never happened, and his teammates blamed his preference for eating rather than training. Last year Alcala moved to the PDM team based in the Netherlands and enjoyed moderate success, winning a stage, or day's race, in the Tour de France. Always a strong climber, he has become an outstanding time trialer as well, winning the prologue in the Tour de Trump by a big seven seconds.

"This year is the first time I found a good position on a time trial bike," he explained. "Mostly it's that I'm in good shape and have the right amount of experience now."

As he knows, winning time trials, or individual races against the clock, is a key to winning the Tour de France and the 2 million francs ($350,000), out of a total of 10 million francs in prizes, that go to the final leader in the yellow jersey.

This year's race has five time trials, including the short prologue on Saturday at Futuroscope, a computer park near Poitiers in western France, and a team time trial on Sunday. "My PDM team is riding very well, very strong," Alcala said. "They'll be a big help in that time trial." The other individual time trials are on July 7, July 12 and July 21.

In a major change from last year, *the race will end by reverting to the* usual gang finish on the Champs-Elysées rather than a time trial like the one in which LeMond made up a 50-second deficit and nipped Fignon by eight seconds for the victory last July. This year the last time trial will be held the day before the *end, at the Lac de Vassivière, near* Limoges, where LeMond recorded the first Tour de France stage victory by an American, in 1985.

At the last finish line, July 22, the field of 22 teams of nine riders each will have covered 3,392.5 kilometers (2,108 miles) in a clockwise journey around France and through a splinter of Switzerland. The first week, as usual, will be spent on the flat lands of Brittany, Normandy and Lorraine. This 77th Tour de France will reduce time spent in the high mountains to two days in the Alps and two in the Pyrenees. The ride in the Alps begins July 11 and that in the Pyrenees on July 17.

Four stages are scheduled in moderate mountains such as the Juras and the chain of extinct volcanos in the Massif Central.

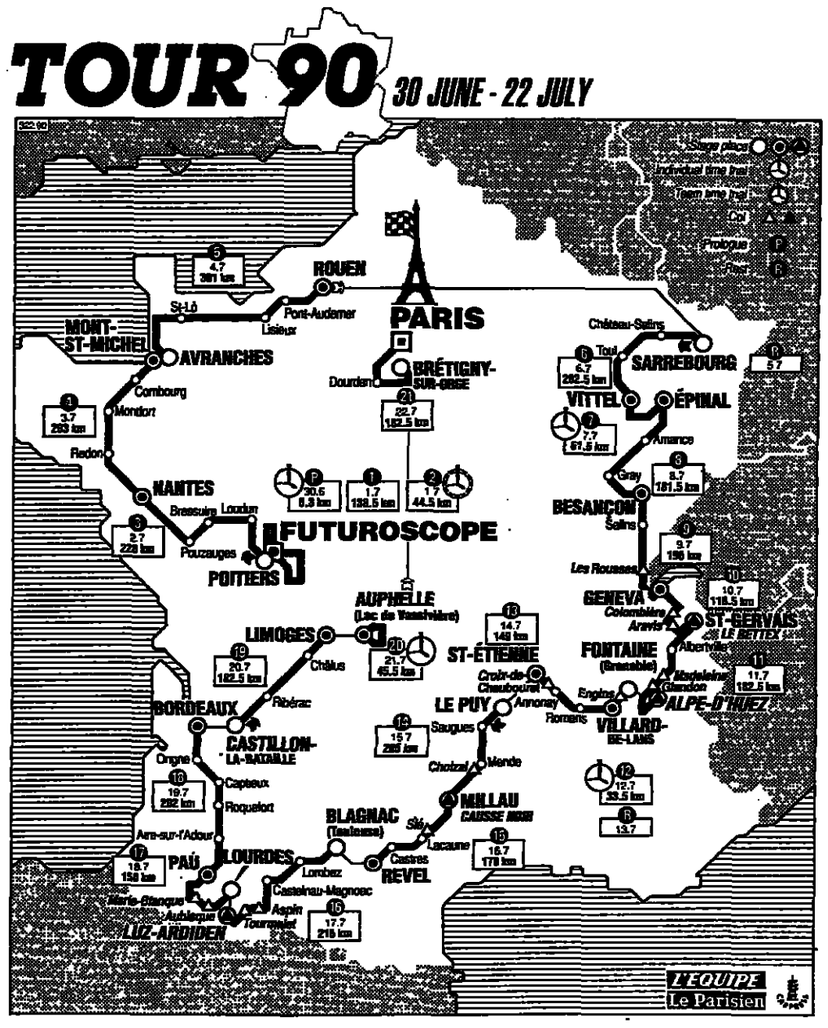
Like many other observers, Alcala rates Delgado the man to beat. The Spaniard won the Tour in 1988 and finished third last year after a calamitous first two days in which he arrived 2 minutes, 40 seconds late for the prologue — time that counted against him — then collapsed in the team time trial. Before the race left the start in Luxembourg, Delgado was down seven minutes and could gain back only half of them by the finish in Paris.

Of the other favorites, at least two, Fignon and Roche, have medical problems. Roche, an Irishman, still has not demonstrated that he is fully recovered from a knee injury that forced him to quit the last Tour midway through. Fignon crashed in the Giro d'Italia late last month and badly hurt his back, which cost the Frenchman 10 vital days of training.

LeMond is another unknown quantity because his Tour-winning form was a victim of publicity obligations in the United States last winter. Unable to train, he had a disastrous spring, finishing 78th in the Tour de Trump, which he rode simply to rebuild his legs and lose weight. In the Giro, or Tour of Italy, he finished 105th, nearly three hours behind.

Bugno, the easy winner of the Giro in his native Italy, is Alcala's choice of a dark horse. "If he keeps that form, we all better look out," the Mexican said.

Can Bugno keep that form? Will Fignon and Roche overcome their injuries? Has LeMond regained championship condition? Is Hampsten strong enough to last three weeks? Has Delgado bought himself a better watch? Is Alcala ready to bloom? Sure, why not?



Vincent Sets Hearing for Steinbrenner

The Associated Press

NEW YORK — Baseball is bringing in an ace to face one of the game's heaviest hitters.

Fay Vincent, the commissioner of baseball, has set a date of July 5 for a hearing at which George Steinbrenner, the principal owner of the New York Yankees, will be asked about his dealings with a Bronx man charged with extortion.

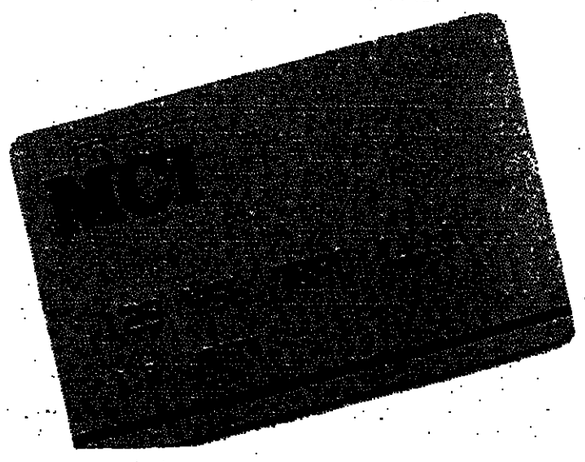
Exhibit A will be a report prepared by investigator John Dowd *that examined the circumstances of* Steinbrenner's $40,000 payment to Howard Spira last January.

Serving as the commissioner's counsel will be Harold (Ace) Tyler Jr., a former deputy attorney general. His employment suggests that Vincent anticipates the need for the very best — *and the most prestigious* — legal advice available.

Tyler, 68, was appointed a federal judge in 1962 by President Kennedy. In 1975, President Gerald Ford named him to the No. 2 job at the Justice Department.

Steinbrenner had his attorneys preparing for a hearing long before Vincent announced he would hold one. Last week, Steinbrenner added criminal lawyers Stephen Kaufman and Dominick Amorosa, both former assistant U.S. attorneys in Manhattan, in his effort to avoid possible disciplinary action.

Kaufman said he will serve as lead counsel and be assisted by Amorosa. Steinbrenner's two other lawyers, Robert Gold of New York and Robert Banker of Tampa, Florida, also will work on the matter.



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Rescuing the Chief Cad From Oblivion

By Alan Furst
International Herald Tribune

THE world — the British Empire in the latter half of the 19th century — according to Harry Flashman, the central character in George MacDonald Fraser's historical novels:

On heroism. "The ideal time to be a hero is when the battle is over and the other fellows are dead, God rest 'em, and you take the credit."

On meeting the woman who is to become his occasionally faithful wife. "Elspeth was like none of the others. She was beautiful, fair-haired, blue-eyed, and pink-cheeked, and she alone smiled at me with the open, simple smile of the truly stupid."

On Britain going to war in the Crimea. "I was as close to the conduct of the war in the summer of '54 as anyone, and I can tell you truthfully that the official view of the whole thing was: 'Well, here we are, the French and ourselves, at war with Russia, in order to protect Turkey. Ve-ry good. What shall we do, then? Better attack Russia, eh? H'm, yes. (Pause). Big place, ain't it?'"

Russia *was* attacked and, at the Battle of Balaklava, "Into the valley of death rode the six hundred." Or was it six hundred and one? For, according to George MacDonald Fraser's "Flashman at the Charge," Colonel Harry Flashman was there, leading the charge of the Light Brigade. It was, of course, not quite the way Lord Tennyson's ringing lines described it. Flashman, suffering horribly from a bout with Russian champagne, leads the charge by accident, having attempted to deliver a message to the Earl of Cardigan. And the Light Brigade maybe wasn't supposed to charge anyway. In the event, knocked senseless amid the carnage at the Russian battery, Flashman somehow survives, the newspapers of the day are full of adoration, and, eventually, he gets the girl — in this case in a steamy sauna, birch twigs and all.

Fraser, author of seven Flashman novels, discovered his future hero when he was 12 years old, on first reading Thomas Hughes's "Tom Brown's Schooldays." Flashman was Hughes's villain, the chief cad and bully of Rugby School:

George MacDonald Fraser, and an illustrator's view of Flashman in his days at Rugby School.

"Flashman, be it said, was about seventeen years old, and big and strong of his age. He played well at games where pluck wasn't much wanted, and managed generally to keep up appearances where it was; and having a bluff off-hand manner which passed for heartiness, and considerable powers of being pleasant when he liked, went down with the school in general for being a good fellow enough. Even in the School-house, by dint of his command of money, the constant supply of good things which he kept up, and his adroit toadyism, he had managed to make himself not only tolerated but rather popular among his own contemporaries; although young Brooke scarcely spoke to him, and one or two others of the right sort showed their opinions of him whenever a chance offered."

Fraser's Flashman is definitely *not* the right sort, describing himself as "a scoundrel, a liar, a cheat, a thief, a coward — and, oh yes, a toady." In Hughes's novel, Flashman is eventually discovered drunk and expelled by the Headmaster. For the 12-year-old Fraser, a dispiriting turn of plot: "I thought to myself, this is the best character in the story, and here he's gone, halfway through the book." Almost 30 years later, in 1966, Fraser brought him back to life in "Flashman," the first novel in the series.

Fraser was born in Carlisle, "the last outpost in England," just below the Scottish Borders, son of a Scottish doctor and nurse. He attended Glasgow Academy, which he terms "Splendid — not at all like Rugby, if you know what I mean." He enlisted in the army at the age of 19, serving in World War II as a section leader in the XIV Army's Black Cat Division — which spearheaded the final thrust into Burma — and was commissioned after the war as a lieutenant in the Gordon Highlanders. In 1947 he began a career in journalism, working in many different areas, including sports, finishing up in 1969 as deputy editor of the Glasgow Herald. He now lives on the Isle of Man.

Of the success of the Flashman series Fraser says, "Just a question o' luck — the right thing at the right time." The first Flashman was turned down by six British and three American publishers, at last finding a home at Herbert Jenkins. Fraser is now with Collins, Harvill, which he terms "a credibly Scottish firm," and has had the same editor for most of his career. A new Flashman, "Flashman and the Mountain of Light," will be out in the early fall. Fraser will not reveal which great and famous figure of 19th-century history is about to get his tail twisted, but Flashman fans — fanatics, really — will know to make certain assumptions.

Writing his memoirs at age 80, Sir Harry Flashman looks back over a period of 60 years, 1842 to 1902, which Fraser calls "the high noon of Empire," so Flashman's new adventure will certainly involve some war or skirmish or diabolical plot within that span. To date, Flashman has popped up at the Opium Wars in China, the Battle of the Little Bighorn (Flashman survived!), the First Afghan War, the Crimean War, and punitive actions against Borneo pirates. He's also gotten tangled up in the American slave trade, and played a part in a send-up of Anthony Hope's "Prisoner of Zenda," wherein he becomes embroiled in the Schleswig-Holstein question. Along the way, he encounters African queens and Afghan belly dancers, Lola Montez and Queen Victoria, Chief Crazy Horse, Otto von Bismarck and Karl Marx. He may also be counted upon to be both in bed and in trouble with any number of extraordinary women — very tall, very short, very crazy, always very *something*.

The best part of Fraser is that he is a dedicated and scrupulous student of history. Crucial issues of the period covered in a Flashman novel are often discussed by Fraser in notes following the text, though it ought to be said that they're as high-spirited and genial set of footnotes as you're likely to encounter. He is also a great one, like the very best historical novelists, for mining up the best factual nuggets of the time. In "Flashman and the Dragon," for instance, is a description of how the death-of-a-thousand-cuts actually worked — read this and there's one metaphor you'll never use again.

The Flashman series will likely run as long as Fraser cares to write new books — it is a very durable concept, one that will sustain long life and not go stale. For two reasons: Fraser really likes his main character — "He *thinks* the way I do, and his political views are my own; that is, he hasn't got any" — and he likes, truly respects, the genre, the 19th-century novel of adventure and romance. As a comic novelist, Fraser is as tart and as wry as they come, but these books are not satires, and Flashman's no anti-hero.

Fraser does a trick that only very good writers can do; he tickles the reader by skewering the pious and savaging the hypocrites who grew sleek and pompous in the great days of British colonialism. But, somewhere just below the surface, he acknowledges the courage and determination it took to build an empire, he admires achievement for its own sake. Flashman's a scoundrel and a cheat and all the rest of it, but the people who suffer his pranks do so very much deserve a Flashman in their lives. He is, warts and all, a front-line soldier in the war against fools. And that's no anti-hero, that's a hero.

LANGUAGE

Boom in the Bonding Market

By William Safire

WASHINGTON — "Mrs. Gorbachev and Millie *bonded*." That good news was the word from Barbara Bush and must have puzzled Tass. They knew that Millie was the name of the Bushes' English springer spaniel, sometimes referred to irreverently as the First Dog, but what means *bonded*?

It has nothing to do, in this sense, with promissory notes, with aging whisky in a warehouse that has been insured, or with Ian Fleming's hero, 007. Nor does it refer to the coating of teeth with adhesive resins, to a sadomasochistic game, or to the *bonds of matrimony*, though that notion of "ties" — from *band*, "something that constricts" — offers a clue to the new meaning.

Bonding (the gerund form is the most common) is a word being lifted from psychology. (When I am ambivalent, I claim to be *torn*, because I am of two minds about *ambivalent*, and have a block about slipping into psychological jargon with *conflicted*.)

"*Bonding* was first emphasized in the late 1950s," we are informed by L. Michael Honaker, an executive of the American Psychological Association, "primarily in the work of John Bowlby. The term is taken from ethology, the study of animal behavior." Early studies of the attachment process spoke of *imprinting* — as adult birds imprint their behavior patterns on chicks — and this needful knowledge grows as the newborn attaches to its own species.

Students of human attachment, who took into account Freud's discussion of the libidinal feelings of baby to mother (which laymen like to call "love"), seized upon the word *bonding*, and that term soon shook *attachment* loose.

"*Bonding* is a relationship," Honaker says, "in which a person maintains or restores proximity to another individual. Often it involves a tendency to defend that other person, and the attachment is sometimes exclusive or preferential."

The Longman Dictionary of Psychology and Psychiatry defines the term as "a close attachment, or affiliation . . . present in normal behavior but absent in . . . the sociopathic personality."

What about *male bonding*? This is what used to be called camaraderie or good fellowship, a hearty form of friendship now viewed with amused contempt by some feminists.

In a 1979 reference to a Babylonian legend, Elizabeth Fisher wrote that "Buried within . . . the Gilgamesh epic is an adolescent-male myth of the wonderful world without women, which still surfaces in male writings. It is the earliest extant tale of male bonding and the diabolic influence of women."

These sinister excesses are no part of what most of us mean by bonding. Nonpsychologist fathers like to take a few days off from work to bond with newborn infants, and owners of just-purchased puppies need bonding time to wean the young dogs away from the alarm clocks placed in their beds, or pallets, to resemble the beat of their mother's heart. (I put an electric clock in the kennel, and the lonely pup howled all night; where do you find a clock that ticks anymore?)

"Getting to know and love" is the current meaning of *bonding*, a word that fills the need for a term to describe a stage beyond *befriending*. It now runs between people as well as between people and animals. The First Lady's spokeswoman, Anna Perez, reported that Millie followed Raisa Gorbachev around the White House residential quarters and "quivered with pleasure whenever Mrs. Gorbachev spoke to her," a sure sign of *bonding*.

SUMMER READING is a phrase that means "the sort of book that you take to the beach, which can be suntan oil-stained and sprinkled with sand without making the reader feel anything worthwhile has been destroyed; escapist pap." Not always true.

Summer vacations or long weekends offer time for reflection and regeneration of the mind cells. Here is a sack of books I have been setting aside for reading on holiday, especially suitable for language mavens with a foreign-policy bent. The trick is to mix the light and heavy, but to stick to the literate or at least provocative — by elevating your reading, you improve your writing or at least tickle your thinking.

"One, by One, by One" by Judith Miller (Simon & Schuster, $21.95), a stunning report on the ways six countries are handling the memory of the Holocaust.

"The Sooner Spy," a breezily comic spy novel narrated by an Oklahoma politician, by Jim Lehrer, the only television anchor who writes funny novels (Putnam, $19.95).

"The Impoverished Superpower," this year's bible for foreign-policy hard-liners, Henry S. Rowen and Charles Wolf Jr., eds. (ICS Press, San Francisco, $29.95).

"Jubilee Jim and the Wizard of Wall Street" by Donald Porter (Dutton, $19.95), a historical novel about Jim Fisk and his partners in greed, power and good fun — a must for today's Trumpniks.

"The Bible and Us: A Priest and a Rabbi Read Scripture Together" by Andrew M. Greeley and Jacob Neusner, a not-so-odd coupling of prolific iconoclasts who team up to offer a lively entrance to exegesis (Warner, $24.95).

"On Liberty and Liberalism" by Gertrude Himmelfarb, how the conflicting views inside the head of one man — John Stuart Mill — foreshadowed today's political argument ($10.95 from ICS Press — that's two for these guys, and I never heard of them before).

"Business Buzzwords" by Michael Johnson, from golden hello to gorbasm, the tough new jargon of British business, published in London by Blackwell; pick one up if you get over there, and achieve a high pass-along rate.

"The Road to a Free Economy" by Janos Kornai (Norton, $16.95), a plan for taking Hungary from socialism to a market system, timely enough to enable me to drop the ideas on the heads of visiting apparatchiks.

"Conflicts Unending" by Richard N. Haass, about the need for ripeness in negotiation by a current National Security Council member (Yale University Press, $22.50).

"Why Blacks, Women and Jews Are Not Mentioned in the Constitution" by Robert A. Goldwin, who has a Locke on our political history (A.E.I. Press, Washington, $16.95).

Some of these authors I don't even know.

Clifford Irving has a new novel I want to see, and Letitia Baldrige is taking the fiction plunge, too. But that's for the fall; this bag will do the trick on the beach. (At the beach? No; the idiom is on the beach, at the shore and in the mountains.)

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